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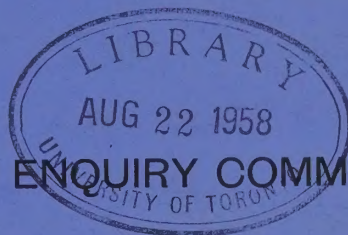
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HYDRO ELECTRIC ENQUIRY COMMISSION

RE SANDWICH WINDSOR AND
AMHERSTBURG ELECTRIC RAILWAY

19th
TORONTO, JANUARY 1923.

W. C. Coe,
Official Reporter

HYDRO ELECTRIC ENERGY COMMISSION

THE CENTRAL ONTARIO SYSTEM
ONTARIO POWER & STEAM
AND GENERAL ELECTRICITY

STANDARD OF WORK

W. E. L. L.
1900-1901

90% submitted
for 2499

HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS, TORONTO,

FRIDAY, 19th JANUARY, 1923.

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HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS, TORONTO.

FRIDAY, 19th JANUARY, 1923.

PRESENT:

W. D. GREGORY, Esq., Chairman
M. J. HANEY, Esq., Commissioner.
LLOYD HARRIS, Esq., Commissioner.
R. A. ROSS, Esq., Commissioner.
J. A. ROSS, Esq., Commissioner.

SIR ADAM BECK
F. A. GABY, Esq.
R. T. JEFFERY Esq. } Representing the Hydro-
Electric Power Commission.

Re - SANDWICH, WINDSOR & AMHERSTBURG RAILWAY

SIR ADAM BECK, Called.

THE CHAIRMAN: Q--There were a number of questions gone into partly the other day. I don't want to repeat them, and if I do start repeating them perhaps you will let me know?

A--I don't know, you said so much.

Q--No, I said so little. When was the question of taking over the Sandwich, Windsor & Amherstburg Railway first considered ?

A--Mr. Chairman, if you want details, dates and so on, I cannot give you that at all from memory. You have all the dates here now.

Q--I suppose we have them some place, but I haven't got them.

A--I thought you had all the data?

Q--We got the dates, I think, when it was taken over, but when the matter was first considered I don't know that we have that information. Give it as near as you can ?

A--I cannot tell you, I haven't thought of it since.

Q--Would it be a year or so before it was finally taken over, that is, how long did negotiations go on ?

A--I cannot tell you, I haven't thought of it since.

Q--Mr. Gaby would know, or some of you would know. We know when it was taken over, we know all that from the record, Sir Adam, but I don't think we have anything to show when the negotiations began.

MR. FAIRLEY: I supplied details of that to Mr. Brown of Price Waterhouse & Company and he, in turn, handed that over to Mr. Latimer. I went over the whole history of the thing, giving specific dates and details, right from the commencement.

MR. LATIMER: It was about a year before. We have all the dates that we really require, just in a general way, it was about a year.

SIR ADAM BECK: If Price, Waterhouse & Company didn't give it to you, you may have it, but Mr. Fairley says they have got it.

THE CHAIRMAN: Q--Well, you cannot tell yourself exactly when it was ? A--No. Mr. Fairley says he gave Price Waterhouse a full statement of all these things.

MR. GABY: I find, Mr. Chairman, that Mr. Strickland is out of town. His wife is ill, and they do not know when he will be back.

THE CHAIRMAN: Q--Do you know just when the negotiations first began? If you don't remember just say so.

MR. GABY: It all depends on what degree of negotiations you mean.

Q--Well, the first ? A--The first time this matter was

discussed I would say was probably 1914 or 1915.

Q--I had no idea it was so long ago as that ?

A--It was just very shortly after the Radial Act was passed that the municipalities began sending resolutions through to the Commission. For instance, June, 1914, was the first resolution.

Q--That would be a resolution passed by --

A--The City of Windsor, the first resolution received from the City of Windsor requesting estimates and reports on an electric railway commencing near Ojibway, running through Sandwich, Windsor, Walkerville and Belle River.

COMMISSIONER HANEY: Q--Had they a railway there then ?

A--Yes.

THE CHAIRMAN: Q--That was the railway that you finally took over ?

A--The Sandwich, Windsor & Amerherstburg Railway.

Q--You did not take over the whole of that, that they passed a resolution about? A--That is parallelling and extends beyond the present Tecumseh Railway to Belle River, that is, their request was a little greater than the present railway, a little further up.

Then we had resolutions in March, 1915, from Windsor, Walkerville and Sandwich, requesting reports on the system of electric railways through these municipalities. Then again in September, 1915, resolutions were received from Windsor requesting an estimate of the cost to construct a street railway in the City of Windsor, and to operate same as a municipal enterprise.

Q--Did you give the estimates, Mr. Gaby, that they asked for

A--No, we didn't. We went over the matter with them, in a general way, and pointed out to them that a railway was operating there already, and that it would be probably in their best interests to acquire the railway then in existence and

remodel it to suit their requirements. We made a report in 1916, I think, in answer to these requests of the various Councils of Windsor, Walkerville and Sandwich, and they held a meeting on May 15th, of 1916.

Q--What was the nature of your report to them ?

A--As I remember, it was a general report of the situation, pointing out, in a general way, what it might cost them to construct a street railway system through those municipalities, and advising them that their best interests would be served by acquiring, if they possibly could, on reasonable terms the existing railways, and that was our endeavour to try and assist them in that way.

Q--You have a copy of that report, I suppose ?

A--We have copies.

THE CHAIRMAN: Is that one that was given to Mr. Brown, Mr. Fairley ?

MR. FAIRLEY: No, only a statement in regard to it.

THE CHAIRMAN: Q--What was next, Mr. Gaby ? Was that report that you speak of to them the only estimate that you gave them ? A--No, no, that was the only estimate up to that time. They kept on continually requesting the Commission, and these are the resolutions that I am referring to now, but in addition to them we had numerous communications from the various bodies requesting assistance on their railway problems in that district. On October 9th we received a resolution from Windsor requesting estimates and report on the construction and operation of an electric railway paralleling the existing Sandwich Windsor & Amherstburg tracks. That was in 1917, and the acquisition of the latter then was in 1922 -

Q--That is the time those franchises expired ?

A--Well, those franchises expired on various dates. In some municipalities it was 1922, in some it was 1924, and

in some as long as up to 1934.

SIR ADAM BECK: And some were perpetual ?

MR. GABY: Yes, and some were perpetual.

SIR ADAM BECK: And some were private right of way.

THE CHAIRMAN: Q--What do you mean by private right of way ?

MR. GABY: That is, they own the right of way upon which they operate the railway.

Q--What was the next step? A--In answer to this resolution of October the 9th, the Commission instructed the engineers and the legal department to investigate and report upon the operation of the Sandwich system. The company, at that time, were not prepared to enter into any negotiations.

Q--That is, the Detroit United Railways? A--The Detroit United Railways.

Q--They were really the owners of that system? A--They were really the owners of that system, yes, and they refused to give us any information on their properties.

SIR ADAM BECK: What year was that, Mr. Gaby ?

MR. GABY: October 9th, 1917, and we forwarded a report telling the municipalities that, in the Commission's opinion, it would be inadvisable for the engineers to prepare a valuation of the properties of the Sandwich, Windsor & Amherstburg Railways until they had some definite information from the company and a proper inventory had been secured, but we did prepare, at that time, reports on the extension of the Sandwich, Windsor & Amherstburg Railway --

Q--That would be new track ? A--New track, yes. In February, 1918, again resolutions came in from the municipalities requesting the Commission to take action for the municipalities in regard to the acquisition of the Sandwich, Amherstburg & Windsor Railway.

Q--Did they come from any of the other municipalities as well?

A--Yes. Then on May 8th, 1915, there was a resolution adopted at a meeting of the representatives of nine municipalities along the line of the Sandwich, Windsor & Amherstburg Railway and the Windsor-Tecumseh Railway, held in the City Hall, Windsor, requesting the Commission to take over the Sandwich, Windsor & Amherstburg Railway and operate the same on behalf of the municipalities.

SIR ADAM BECK: Is that the original of the resolutions ?

MR. GABY: No, just a few copies that I happened to have in this folder. As I say, that was a general meeting of the representatives of nine municipalities. By July, 1918, we had received individual resolutions of the Councils of the nine municipalities requesting a report on the acquisition of the Sandwich, Windsor & Amherstburg Railway and its operation, under the Hydro Radial Railway Act of 1914.

THE CHAIRMAN: Q--Did you do that ? A--On September 18th, 1918, the Transportation and Industrial Committee of the Windsor Council again passed resolutions requesting action by the Commission on the resolutions of the municipalities to take over the Sandwich, Windsor & Amherstburg Railway. We then commenced investigation of the railroad, and prepared valuations on our own account, with such information as we had, and then again in April 11th, 1919, a conference was held in Windsor of the representatives of those nine municipalities.

Q--You say April 11th, 1918 ? A--1919.

Q--That was the following year ? A--The following year, a conference held in Windsor of the representatives of the nine municipalities referred to previously, including Windsor, Walkerville, Sandwich, Sandwich East, Sandwich West, Anderdon, and Amherstburg, and at this conference a resolution was adopted requesting that the Commission make an inventory and a valuation of the existing lines of the Sandwich, Windsor & Amherstburg and Windsor-Tecumseh Railways, and to negotiate with the

company, that was the D. U. R., for the acquiring of these properties, and to submit an estimate of the probable earnings and expenses of the said line under the present and improved conditions.

Q--What do you mean by the improved conditions ?

A--Not to rehabilitate but simply to put it in better operating condition, and that was all we provided for. The Commission then in answer to the requests contained in the resolutions which came in from the individual municipalities, issued instructions to its engineering staff to immediately prepare a valuation of these properties, and the Commission, and the Chairman of the Commission, Sir Adam Beck, got in touch with the management of the D.U.R. with the object of conferring with them with regard to the acquiring of this Sandwich Windsor & Amherstburg Railway, and the Windsor & Temouseh Railway. Negotiations were active. The President of the railroad came to Toronto and other higher officials to discuss the matter with the Commission. They turned over the books to the Commission, gave them access to them, in fact gave them every assistance.

SIR ADAM BECK: We specifically asked for all details of their franchise rights, an inventory, and the opening of their books to us.

THE CHAIRMAN: Q--That would be as to the D.U.R., Sir Adam ?

SIR ADAM BECK: Yes, we said there would be no use going on unless we could look into their books.

MR. GABY: We had their co-operation, and got such information as they had. They turned over to us what information they had, and the arrangement was made by the Commission that the engineers and officials of both parties, that is, the D.U.R. and the Hydro-Electric Power Commission, should act together and arrive at some conclusion as to the

inventory of the properties, each to place their own valuation on those inventories. That was done, the company prepared its own valuation. As a matter of fact, it had been under way for some time prior, and the Hydro-Electric Power Commission prepared their valuation, and then negotiations commenced as soon as that information was available for the Commission on the acquiring of these properties.

Q--What date was that, Mr. Gaby ?

A--Those valuations were prepared anywhere from May until June or July of 1919. They had their valuation, and they also had their actual statements of operation, and so forth, before them, and those were included in the books of the D.U.R.

Q--Did your valuations correspond ? A--No, they did not. Their valuations were considerably higher. For instance, as they said, the valuation that they put on the property did not include any contractors profits and going concern values, nor overhead charges, or franchise values, and so forth, I mean all those overhead items were not included in their valuation. It was merely a physical valuation of the properties. They prepared a valuation in which they asked, as a reproduction value, \$2,776,240.04 without the above-mentioned items and a depreciated value of \$2,232,378.88.

Q--Have you a copy of that ? A--I don't know whether we have or not. It is quite a long thing, it gives all the details in connection with the valuation prepared by their engineers.

Q--That is available for inspection if we want to look over it ? A--We only have the one copy that I know of, and this happened to be in the file. This is the file that I had during the negotiations in connection with the matter, and this is the valuation as placed on it by their officials,

that is, the D. U. R.

After considerable negotiations in connection with this -- well, at first, in June or July the company refused to consider any values, in fact, they asked for something over \$3,000,000, and refused to consider any values less than two million and a half, or something of that nature, as I remember it.

Q--Can you tell me just now the amount of your valuation?

A--The negotiations were broken off and were not continued until the latter part of July, as I remember it. Of course, as you will appreciate, we did not put the highest value in our valuations on the properties. Being the purchaser we put on what we thought was a very conservative value. Our value of the property, reproduction new, was \$2,081,807.23 including, of course, the scrap value for a great deal of their equipment which we considered scrap at that time, and which they put a value on, and our other valuation was \$1,779,430.53. That was compared with their \$2,232,378.88.

Q--Did that include the power and lighting system in Windsor ? A--That included everything, yes. That included all the properties, power, light, and so forth.

COMMISSIONER J. A. ROSS: Q--We have a figure here of \$1,639,000, being the detailed value of the system, prepared by the engineers of the Hydro-Electric Power Commission on the 4th December, 1919 ?

A--Well, you see that was a valuation, as I remember it, simply to try and arrive at some distribution of the \$2,100,000 of bonds which had been given in payment for this property. Of course, those bonds were at the rate of $4\frac{1}{2}$ per cent. I don't know what their sale value would be, probably \$1,800,000 or \$1,600,000.

Q--What would be the difference between that valuation and what you state here to be the depreciated value?

A--There isn't a great deal of difference between those two figures because we valued the power plant at \$173,407, and you take \$173,407 from \$1,779,000 odd and you get \$1,603,000. There is practically no difference between the two. The value that you have there is the value of the railway only.

Q--That is the way you make it ? A--That is the way we make it. In addition to that, we have \$190,000 worth of bonds from the municipality of Windsor, and you would have to add that to make a comparative value with this. That would make that, I think, about \$1,800,000.

Q--Yes, that reconciles it fairly close.

COMMISSIONER HANEY: Q--That would be a cash value, Mr. Gaby, considered a cash value?

A--Yes, that is a cash value, that is, it means dollars and cents as far as the values that we have considered here are concerned. There is, of course, a difference between a ^{bond.} 4½ per cent. At that time those bonds were selling in 1919 around six point something; present municipal bonds are probably 6½ to 7.

Q--I think Price Waterhouse & Company worked out the difference between the cash value and the cash value of the bonds ? A--I believe they did. I just came into the room when I heard Mr. Bonthron speak of this difference, but the company, as you will see, put a very much higher value on it in connection with these properties.

Q--Naturally? A--I suppose it was natural for both parties.

THE CHAIRMAN: Q--Perhaps if you had been the vendors you might have put rather a higher valuation on it ?

A--It all depends, I suppose, on the point of view we would have. Naturally, if we were trying to dispose of the properties, we would not have put the minimum value on them

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that we did.

COMMISSIONER HANEY: Oh, yes, all life is a compromise, Mr. Gaby.

SIR ADAM BECK: Yes, when the other fellow doesn't have to sell, especially.

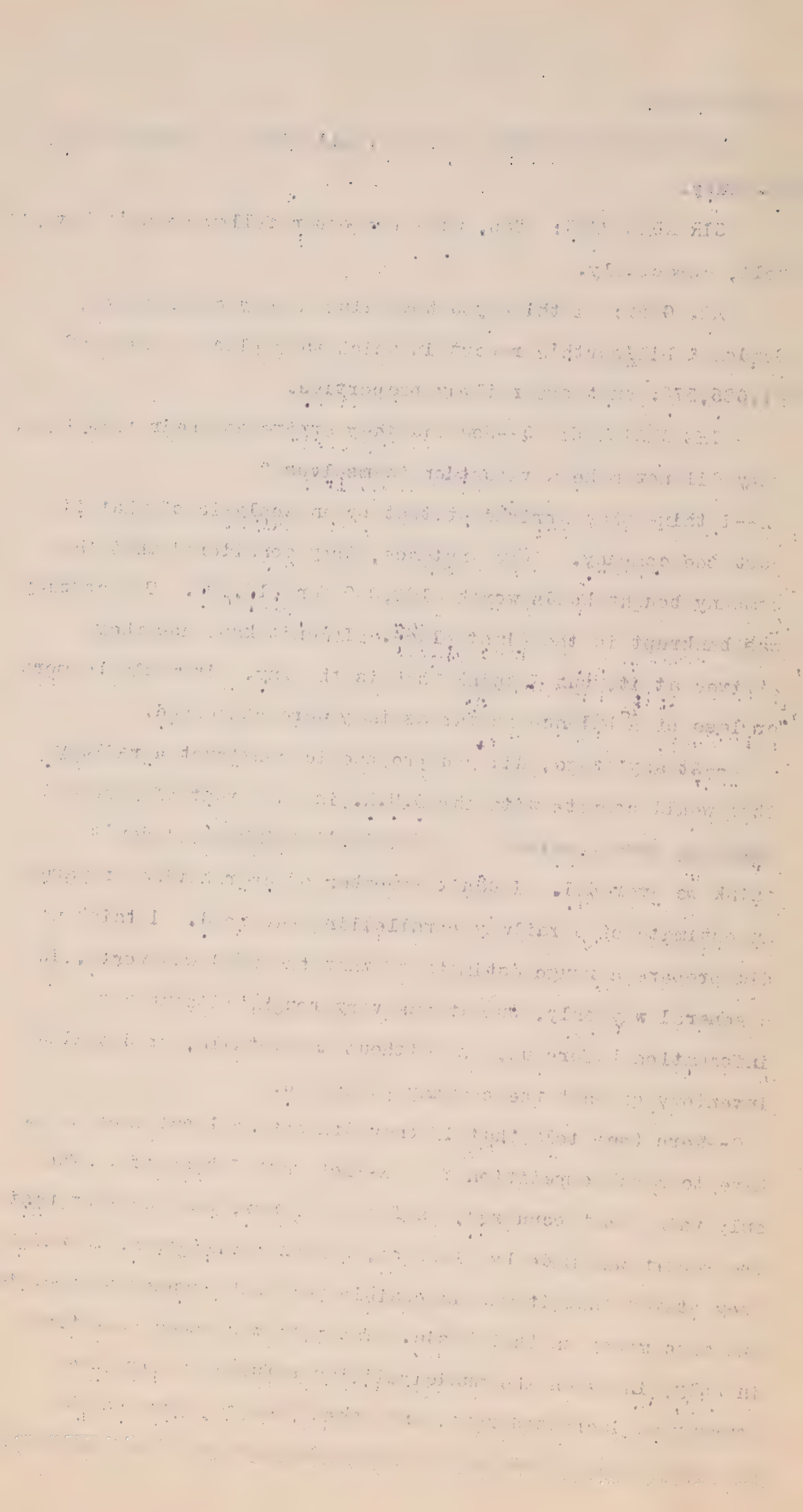
MR. GABY: I think you have also a copy of Clarkson, Gordon & Dillworth's report in which they place a value of \$1,625,576. on those railway properties.

THE CHAIRMAN: Q--How did they arrive at their valuation, they did not make a valuation themselves ?

A--I think they arrived at that by an analysis of what it cost the company. For instance, they considered that the company bought bonds worth \$100,000 for \$10,000. The company was bankrupt in the first place. I don't know how they arrived at it, but I think that is the way. It would be more or less of a balance as far as they were concerned.

Q--At any stage, did you propose to construct a railway that would compete with the D.U.R. in the event of your not agreeing upon a price ? A--I don't think so, I don't think we ever did. I don't remember of ever having prepared an estimate of a railway parallelling the road. I think we did prepare a rough estimate of what the road was worth, in a general way only, but it was very rough, without any information before us, and without any details, or detailed inventory of what the company possessed.

Q--Were they told that if they did not sell out they would have to meet competition ? A--Not that I know of . The only thing that occurred, as far as I know, was the fact that the report was made by Clarkson, Gordon & Dillworth, in which they stated that it was impossible for that company to operate and make money on that basis. The vote was taken some time in July, in which the municipalities refused to give the company an increased rate, and asked them to carry on the franchise, and it was after that vote that the final negotiations



were completed. The company, I think, approached the Commission in reference to the negotiations, and finally a figure was arrived at which was submitted to the municipalities at a combined meeting of their representatives and approved of by them.

Q--That is, the price that you finally paid?

A--The price that was finally submitted. There was a conference with all the representatives and they finally approved of the price and asked the Commission to go on, and they passed the necessary resolutions requesting that the necessary terms of agreement be submitted, and a resolution authorizing the by-laws to be submitted to the municipalities in December of 1919 and, as you know, the by-laws were all carried with majorities of about 12 to 1 except Anderdon.

Q--After the purchase, did you write off any part of the valuation? A--In what way do you mean, Mr. Chairman?

Q--Transfer it from tangible to intangible value?

A--No. The only purpose of preparing an estimate of the physical value was to guide the Commission in arriving at the proper depreciation ^{rates} to charge against this property for the purpose of its reserve. The total amount of \$2,100,000 still stands on the books of the Commission as Capital against that property. That is only an accounting item, and that is divided up into numerous items depending on the various factors that enter into it, or the various parts of the property. The matter of \$2,100,000, as I say, still stands on the books of the company at $4\frac{1}{2}$ per cent, which the Commission is paying interest upon at that rate.

Q--Yes. I notice in this statement which I have that the present value is placed at \$1,637,088.45, and the intangibles \$401,911.55?

A--That is simply a separation of the \$2,100,000, for the purpose of arriving at a rate for depreciation. In other words, the \$1,600,000 is divided into

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tracks, sub-grade , and overhead on cars and equipment, and all those things, and we then divide that again, classify that into those sections which are depreciable property, and that is the purpose of that division of capital, as you might call it. That is all that was prepared for.

Q--Well, in this Way and Structures, and Equipment, you put in intangibles \$40,006.65, what would that be ?

A--It is simply this, Mr. Chairman: We have taken those items, and we have prepared a valuation, which we might say was a minimum valuation on those physical assets. After we have got that all completed we arrive at a certain figure which is \$1,630,000. In addition to that, we have \$190,000 ^{from} the municipality for the power and light system. That \$1,600,000 is a guide to us. The various items enter into that in determining the depreciation. After we have got that, we have left over,- you might call it discount on bonds, or anything you like, I mean an amount between the total valuation of \$1,600,000 plus \$190,000 and \$2,100,000,- we have an amount of two or three or four hundred thousand dollars left over which has to be accounted for. You might call it intangibles, discount on bonds, or anything you like, and we divide that proportionately among the various items. That is, Way and Structures would get its share, and so forth all the way down, it would be divided up amongst those items in accordance with what we considered was a proper share of the difference, as it were, between the bonds outstanding and the physical cash value of those properties as we set it out. It may have been an excess value, I don't know. I don't remember just now how we arrived at it.

COMMISSIONER HANEY: Q--When you speak of depreciation, that is separating it in order to determine depreciation, would the \$400,000 be allotted to right of way, and sub-grade ?

A--That \$400,000 is simply used as a capital charge upon which there is no depreciation, you will simply charge interest and sinking fund on that part of the capital.

Q--There would not be any depreciation on the right of way, or on the sub-grade ? A--No. The valuation of the Way and Structures is again divided, as I stated before, into other classifications. In the case of Way and Structures that is simply property that is maintained and no depreciation reserve set up against same. For instance, rails and fastenings, we set up a depreciation reserve. Sub-grade, there is no depreciation reserve set up, maintenance of sub-grade, and also ballast, that is a maintenance item.

Q--Provided for in operating charges ?

A--Provided for in operating charges, and charged against revenue. We have other items, rails for instance, that are not subject to renewal very often. Rails are renewed once in twenty, or thirty, or forty or fifty years, depending upon the service over them. Some rails may be renewed in ten years, depending entirely on the service. It all depends on the number of car miles going over them per annum, and we have got to take into consideration the wear and tear on those rails. We have had rails in for 60 or 70 years.

Q--Rust and all the rest of it ? A--Rails don't rust very fast when they are in use.

COMMISSIONER J. A. ROSS: How long will rails last on the road to Petit Cote ? A--They might last a long while, the service is very slow.

THE CHAIRMAN: Q--You knew then from an examination of the books, I suppose, just what the profit or loss was on the railway ? A--In order to determine that situation, in order to advise ourselves how this railroad had been operating we instructed our auditors to prepare a complete statement of the operation of that company as far back as 1902 when they acquired the property from the Windsor-Tecumseh

railway and the Sandwich, Windsor & Amherstburg Railway, and statements were taken off from year to year analyzing the accounts of the company, and that statement was submitted to the Commission and was before them in determining their values.

Q--Who made the audit for you, Mr. Gaby?

A--Our own auditor, ^{Mr} McCollum. I don't remember whether Mr. Guilfoyle of Clarkson's was there or not, but the company opened their books and gave us full access to them in the preparation of this statement. We have a great many statements here that were prepared and submitted to the Commission on the values that were obtained by the operation --

SIR ADAM BECK: Didn't Clarkson make an audit on behalf of the Province?

MR. GABY: I think in June, 1919, Clarkson, Gordon & Dilworth, on the instructions of the Ontario Railway Board, prepared a report of the financial condition of the company, and a report on its operation, and also on the question of increase in wages and maintenance expenses of the line that they would have, and so forth, in connection with that. They prepared a report, which we have copies of.

THE CHAIRMAN: Q--That was submitted to the Ontario Railway Board? A--That was submitted to the Ontario Railway Board.

Q--And made under their instructions? A--Yes. Now, after we had it prepared, that is, this audited statement, and so forth, the Commission before completing this deal and making its recommendations to the Government, also had Clarkson, Gordon & Dilworth prepare a report and submit it to the Commission on the value of its properties, before the Commission finally decided upon the purchase. Clarkson, Gordon & Dilworth went over the valuations that were prepared, and also the statement of operation that our auditors had prepared, and they prepared a report to the Commission upon which they acted before taking action.

Q--Then was there anything else between that time and your final taking over of the road ? A--Why, yes. There was the submitting of these reports to the representatives of the municipalities. Then the municipalities had the agreement requesting the Commission to prepare an agreement, made by resolution. That was submitted to them and approved of by the various municipalities, and they then passed the necessary by-laws authorizing the matter to be submitted to the electors.

Q--Yes. I think that was submitted and adopted in every municipality except Anderdon. ? A--Yes, I think we have the majorities here, they are quite large.

Q--Oh, well, that isn't important ? A--Of course, an agreement had to be prepared between the Commission and the Detroit United Railways before the matter could be submitted to the municipalities, that is, an agreement to purchase.

SIR ADAM BECK: An option.

MR. GABY: An option you might call it, which was subject to the passing by the municipalities and the approval by the Lieutenant-Governor in Council.

THE CHAIRMAN: Q-- Is the railway operated now by the companies that were in existence ? A-- No, the railway is operated by the Commission as a Hydro-Electric Railway, but in order to protect the bonds and mortgages outstanding on this property they have to maintain or financially operate it as the Sandwich Windsor & Amherstburg Railway and the Windsor & Tecumseh Railway, but as a railroad it is being operated as a Hydro-Electric Railway.

Q--Who are the officers of these two companies ?

A--The officers are the Commission and officials of the Commission.

Q--I think someone said at Windsor that there were no salaries paid to them? A--No.

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Q--Is that correct ? A--No, there are no salaries paid.

SIR ADAM BECK: Doesn't Windsor pay some portion of the administration ?

A--The distribution of the Executive staff of the Commission's salaries is proportioned between the various properties and they pay part of them, but not as a direct amount or salary.

Q--But it is not paid directly as a salary ? A--No.

THE CHAIRMAN: Q--No, that goes to the Commission, and a certain proportion of the overhead would be charged up?

A--A certain proportion of the overhead would be charged up.

Q--And that wouldn't go to the individual officials but it would go to the Hydro-Electric Power Commission? A--Yes.

Q--Mr. Gaby, I understood that the lighting plant was sold to the City of Windsor? A--Yes.

Q--What is the difference between the price you took it over at and the price you sold it at, or is there any difference? A--Well, I wouldn't say, you couldn't make any difference between it. Our valuation was \$173,000, that is, the present valuation of that property as a part of a total valuation of \$1,779,000.

Q--Your statement shows \$270,193.38 as appraisal value, and present value \$190,000 ? A--I should say that is approximately correct.

Q--And intangibles \$80,193.38 ? A--Well, that I am not prepared to quite agree with, as far as that is concerned. The present depreciated value of that power system was \$173,407.

THE CHAIRMAN: I think it was Mr. Fairley that furnished us with the statement.

MR. GABY: I mean \$81,000 would have been a very high statement of what you call intangibles or discount on the thing.

THE CHAIRMAN: The statement I think Mr. Fairley gave us

showed the value of the whole as \$270,193.38, and the present value \$190,000, leaving a difference of \$80,193.38.

MR. FAIRLEY: That is what Mr. Brown got from the Accounting Department. Those are the figures that were set up as of that date.

MR. GABY: I don't know how they arrived at those figures, I mean they are only arbitrary. The depreciated cost valuation of that property was \$123,000, as the actual cost of the properties, and the present value was \$173,000 in the values that were used for the purpose of negotiating. That may be some figure that has been arrived at arbitrarily, and is a thing that we have no right to arrive at. It is a matter that is entirely in the hands of the municipalities, or the municipality of Windsor. That is some figure that someone has arrived at taking into consideration that they may have to scrap some of the property that was turned over to them for operation. For instance, some of the steel equipment had to be scrapped and they took that into consideration. I don't know how they arrived at the \$81,000.

SIR ADAM BECK: Q--When did Windsor begin operation?

A--Of the steam plant ?

Q--Yes? A--It was taken over immediately, at the same time we took possession, April 1st, 1920.

THE CHAIRMAN: Q--If I am correct, this is what has been given out by the Accountant, your office ?

A--It is not in our statement of account at all, because it would only be stated in our account as \$190,000 owing by the City of Windsor. That is simply some statement that has been prepared and used by the various officials of the Commission.

Q--From this it would appear that your valuation was \$270,000 and your sale \$190,000, and it would suggest, to one looking at it, that you turned it over to Windsor for

\$80,193. less than you paid for it ? A--I see your point now, but that is absolutely in error, that \$80,000. The valuation of \$270,000 was the reproduction value of that. The depreciated value of that property was \$173,000, or \$190,000.

Q--Yes ? A--You see, that is a reproduction value, the value that goes into our books.

Q--Present value you call it, \$190,000, intangible value \$80,193.38 ? A--No, that is not correct. You see, the reproduction value is your \$270,000.

Q--Appraisal \$270,193.38, present value \$190,000, intangibles \$80,193 ? A--That isn't intangibles. This is a depreciation value of that property. The valuation of the property is \$190,000, that is, the appraisal value of that property, \$190,000. If you had to reproduce it it would cost you \$270,000, and the difference between the two is the depreciated value of the property.

COMMISSIONER R. A. ROSS: Q--If you had reproduced that plant, Mr. Gaby, at the high prices prevailing it would have cost you \$270,000, and it would have been a new plant ?

A--Yes, sir.

Q--You received an old plant on which there was an accumulated depreciation which got you down to \$190,000 ?

A--That is, the appraisal value of the plant was \$190,000. As Mr. Ross said if you had to reproduce the plant it would have cost \$270,000.

THE CHAIRMAN: Q--I am just giving it to you as our accounts got it from your men? A--I don't know who they got it from. I would never put that in in that way.

COMMISSIONER HANEY: Q--They are put in here to make up the totals which correspond with the grand total :

Way and Structures \$1,229,000; Equipment \$257,000, total \$1,487,000; Power and Light System \$270,000,

Total appraisal value \$1,757,000 --

A--Yes, but in the first place the \$270,000 here is not of the same class as the Way and Structures, or the total physical valuation or appraisal value of \$1,487,000. The \$1,487,000 is the depreciated value, whereas the \$270,000 is the non-depreciated value. That statement is not correct and was never used by the Commission. It was only used as a Departmental figure, which was probably corrected at some future date, but was not used at all, so far as the Commission is concerned. It is doubtless some Departmental memo. For instance, those two things are not in line. The \$270,000 is reproduction value whereas the \$1,487,000 is the depreciated value.

THE CHAIRMAN: That is just as given to us.

A---It is Departmental correspondence, which is incorrect.

COMMISSIONER J. A. ROSS: It makes up the \$2,039,000, as Mr. Haney points out, with the intangibles added of \$281,000.

COMMISSIONER HANEY: And the intangible is put in here separately?

A--That may be, but I say that the statement is incorrect. In the first place, the premise upon which that statement is made is wrong, because there are two things that are unlike one another --

Q--It does not matter whether they are unlike or like in order to bring up the figures that are here?

A--It really didn't matter, that has nothing to do with our books, as far as the Commission is concerned.

Q--Those are the figures here, and you show \$270,000 for power and light system as the appraisal value, and there is the specific amount stated here as "Intangible" of

\$281,000.

THE CHAIRMAN: Q--Mr. Gaby, I noticed ⁱⁿ another statement given to us it shows how this \$270,000 is made up, power plant equipment \$160,826.96, distributing system \$109,366.42, Total \$270,193.38 ?

A--Yes, reproduction value new.

SIR ADAM BECK: New as to costs of that time, cost of reproduction new at that time.

MR. GABY: Our valuation at the time of negotiations for that plant was only \$208,000, reproduced new, and their valuation was \$348,000 new.

THE CHAIRMAN: Q--That is of the distributing plant ?

A--Yes, and we put a depreciated value of \$173,000 on it. Now, that has gone to \$270,000 and down to \$190,000, so you see that is a different item entirely. The two things don't jibe. If I had seen that before I would have gone into it fully at the time. That is a Departmental memo, used in arriving at some figure. They are only an arbitrary set of figures, that is all that is. They are not in any form at all in accordance with the books of the Commission. The Commission has \$190,000 of bonds due, but those figures were never used by the Commission in its accounting at all but just simply for departmental information in arriving at a depreciation reserve, an amount to be set up annually for that purpose.

COMMISSIONER R. A. ROSS: At any rate, as against that you only issued \$190,000 of bonds ? A--That is all.

THE CHAIRMAN: It was all sold to Windsor.

Q--Were there any bonds issued against this ?

A--Bonds of the Hydro-Electric Power Commission. Before we sold it to Windsor we figured that \$190,000 of bonds was all that we would issue against it.

COMMISSIONER R. A. ROSS: The indebtedness is \$190,000,

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and you hold the bonds of the municipality of Windsor for that amount ? A--Yes.

THE CHAIRMAN: Q--And if that is not included, it is included in this total of \$2,039,000 that you paid for the property? A--The answer to that, Mr. Chairman, is that the whole of those figures are more or less arbitrary.

Q--If you take it off this it must go on something else ?

A--Absolutely.

Q--Because the total is what you paid ? A--You could have done that by some other figures, so far as that is concerned. For instance, you set down Way and Structures --

Q--It is not what we set down ? A--That is simply an arbitrary departmental memo., prepared by someone for some purpose in the office. It is not a Commission matter at all.

Q--You see it indicates a loss on that sale to Windsor of \$80,000 ? A--That isn't a loss, that is the difference between the reproduction value and the depreciated value or appraised value.

Q--It is included in the amount that is now carried in your books as Intangible Value? A--I doubt that, Mr. Chairman. It really makes no difference what we carry it in, we pay the interest on it just the same.

Q--The intangibles, I see, were \$281,000, and then the rolling stock was written down \$40,000, and this was written down \$80,000, and it increased the intangibles to \$401,911.55, at which amount they are now carried on your books ?

A--That is quite true. The whole total amount of \$2,100,000 is carried upon which interest is paid. As I say, it really does not make any difference because we pay the interest on \$2,039,000 of bonds, we pay $4\frac{1}{2}$ per cent interest.

COMMISSIONER R. A. ROSS: Q--Didn't you have to scrap a certain amount of your power plant ? A--Yes.

Q--Doesn't that perhaps account for the difference ?

A--That represents, to some extent, the difference.

THE CHAIRMAN: Q--And that was the power plant, was it, that you sold to Windsor, which you had to scrap part of?

A--Yes, some of the plant there, the old steam plant which was being operated as a part of the plant.

Q--And the amount that that had been inventoried at and had to be scrapped was added to the Intangibles?

A--I don't know as we did anything with it. We sold the thing for \$190,000. It appeared on our books at \$190,000 in bonds, against that property. As far as we are concerned it is immaterial what the company does, or what state it is in. They can scrap the whole thing, but we have in our hands \$190,000 in bonds of the City of Windsor.

COMMISSIONER R. A. ROSS: But you add \$80,000 of intangibles to your intangible account?

A--That is just simply some Departmental entry, that has nothing to do with our book-keeping at all; it is not on our books at all in that way.

SIR ADAM BECK: This matter of intangible value, there is no such thing ever dealt with by the Commission, that I know of, it is only depreciation of the plant.

MR. GABY: That was a memo. that has been on the files of the Commission, a Departmental memo., which showed that we set the value of that property under certain different accounts.

COMMISSIONER R. A. ROSS: Q--As a matter of fact, Mr. Gaby, this taking cash in bonds, or bond discount, or depreciation or anything else, you made the value of the properties \$1,600,000 odd, as the depreciated value --

A--\$1,779,000.

Q--Something of that kind, and Clarkson, after an investigation of their book-keeping extending back to 1902 found that as they had acquired those properties at certain prices it just amounted to about that price?

A--\$1,700,000 and something.

Q--So that you paid, apparently, a cash price ?

A--\$1,773.00 was their figure.

Q--You paid, apparently, a cash price for that property, which represented the depreciated value of the property?

A--Yes..

COMMISSIONER HANEY: Q--What is Windsor doing with the steam plant now ?

A--They are operating part of it at the present time, and a part of it is not operating.

Q--Is it used for generating electricity?

A--Yes. The part of the old steam plant equipment, the part which they are using at the present time is that from which we obtain the steam from. The Salt Works buy the steam, and they use the generators and engines for generating power. The part which is scrapped is very old plant, and very inefficient, and was only used for railway purposes, capable of producing about 200 horsepower. We have replaced that now and put in a rotary converter. We obtain our power now partly from Hydro and partly from the Salt Works steam plant.

Q--And they take ^{care} of the peak with that power, to a certain extent ? A--As far as the 60 cycle is concerned, and as far as the municipality is concerned, they have yet a number of 60 cycle consumers which they serve with this steam plant, and they are continuing to serve them. They haven't changed over to Hydro, and that is what they use it for.

SIR ADAM BECK: When does the contract expire with the salt works ?

A--It think it is quite a long time before it expires, I don't remember the details.

SIR ADAM BECK: Well, it would be interesting to the Commission to know that the City acquired the electric light

plant in 1919, and there is quite a large reduction made in the rates to all the users, last year reduction in some of the services as high as 25 per cent.

THE CHAIRMAN: A reduction ?

SIR ADAM BECK: In the rates, yes.

THE CHAIRMAN: Were they generating power themselves there at that time ?

MR. GABY: In 1920 they acquired the steam plant, and they have been operating that as a part of their system ever since.

SIR ADAM BECK: Operating the 60-cycle motors.

MR. GABY: But all charges are charged against the whole system, or the whole investment.

SIR ADAM BECK: The whole investment, and everything is charged to the whole of the system. In 1921-22 their profits were so high that many of the services were reduced as high as 25 per cent. For instance, the domestic was reduced from 4 cents to 3 cents with follow-on rate of $1\frac{1}{2}$ cents. Their profits were some eight thousand dollars odd.

MR. GABY: \$80,000 one year and about \$60,000 the other, the year in which they reduced the rates.

SIR ADAM BECK: That was after all this had been included in that year's operation.

COMMISSIONER HARRIS: Before the railway system was taken over by the management of the Hydro you had your power and lighting system there hadn't you ?

SIR ADAM BECK: The City had its lighting system, yes.

Q--That went into Windsor when ?

MR. GABY: I don't know when they took it over, four or five years before 1914.

Q--When you took over this light and power system from the railway ? A--In 1919-20 we turned it over to the City.

Q--This part of these assets that you bought from the D.U.R. was turned over and amalgamated with the City's lighting system? A--Yes, by the local Commission.

Q--And for which \$190,000 of bonds was issued ?

A--Yes, 4½ per cent.

Q--Well, that item of \$190,000 cost you, in the taking over, \$270,000 ? A--No.

THE CHAIRMAN: Mr. Gaby questions that.

COMMISSIONER HARRIS: Q--Mr. Gaby, before the railroads were taken over you had a system in Windsor ?

A--The City of Windsor.

Q--That was put in there at the time Hydro was brought to Windsor? A--Yes.

Q--Well, then, in these assets that you bought from the D.U.R. in connection with the railway system you had this item here of power and lighting system \$270,000 which you paid to the D.U.R. as part of the payment made in connection with all the assets that were taken over ?

A--I wouldn't say we paid \$270,000, I would say we paid \$190,000 to them.

Q--You appraise that at \$270,000 ? A--Well, they appraised the railway themselves at \$2,776,000 and we appraised the railway at two million dollars odd. I mean that was the reproduction value of these properties.

Q--\$2,039,000 ? A--No, that was the bonds we gave, the actual cash value.

Q--In that \$2,039,000 you provided \$270,000 for this power and lighting system ?

SIR ADAM BECK: No.

COMMISSIONER HARRIS: Well, that is the figure that we have,

MR. GABY: That is that memorandum of the reproduction value.

COMMISSIONER HANEY: That is the amount that was put in to make up your \$2,039,000.

COMMISSIONER HARRIS: Exactly.

MR. GABY: That, as I stated before, is simply a Departmental statement that was prepared after the thing was all over, some time afterwards, and which was not used at all in purchasing this property. It was simply a departmental statement prepared in which someone made a guess as to how this thing should be divided, one among the other.

THE CHAIRMAN: One guess was as good as another, I suppose ?

SIR ADAM BECK: No, no.

THE CHAIRMAN: Because no one could say exactly, but your inventory shows how you arrived at that, so much for plant and equipment, so much for power and light system --

COMMISSIONER HANEY: It doesn't look to me like a guess, when you get down to 88 cents.

MR. GABY: Well, it is just a division of these costs.

COMMISSIONER HANEY: It is quite possible, but it shows here how you make up the \$2,039,000 ?

A--I don't think it makes much difference.

COMMISSIONER HARRIS: Well, it does make this difference, that having bought this from the D.U.R. it all went into the railway system but this one item.

COMMISSIONER J. A. ROSS: Here is the Price, Waterhouse & Company statement on that: The Sandwich Windsor & Amherstburg Electric Railway was purchased by the Hydro-Electric Power Commission for \$2,039,000, and the amount of \$190,000 represented the appraised value of the Electric Light System sold to the City of Windsor, leaving as the cost to the railway \$1,849,000 ? A--Yes.

Q--That is the Price, Waterhouse statement?

A--In other words, we charged the railway with \$1,849,000.

COMMISSIONER HARRIS: Q--And you should have charged them \$80,000 more ?

A--No, why ?

Q--Because this item here of \$270,000 that you put on the value of that Windsor system --

A--I think we are at cross-purposes. You have \$2,039,000, and you take \$190,000 from that and you get \$1,849,000 which we charged against the railway, and that stands against the railway today as the cost of the railway. Now, then, we take and we say here, arbitrarily, because we do not know, and nobody knows, that there is \$1,400,000 of that that we can depreciate. That is our estimate, simply, then we say the difference between \$1,400,000 and \$1,840,000 bonds which we have to pay for the railway is, we call it, intangible, because that is the thing we pay interest and sinking fund on, only on the \$1,400,000. We maintain and we charge depreciation on it, and reserve, and the other things. That is the thing they charge the 3.3. per cent depreciation on in arriving at the cost which was submitted by Mr. Clarkson and Messrs. Price Waterhouse. I think you will find that they took a certain percentage of the \$1,400,000 as a depreciation reserve rate, that is, by taking various percentages on different parts of the plant, arriving at the figure of 3.3 per cent.

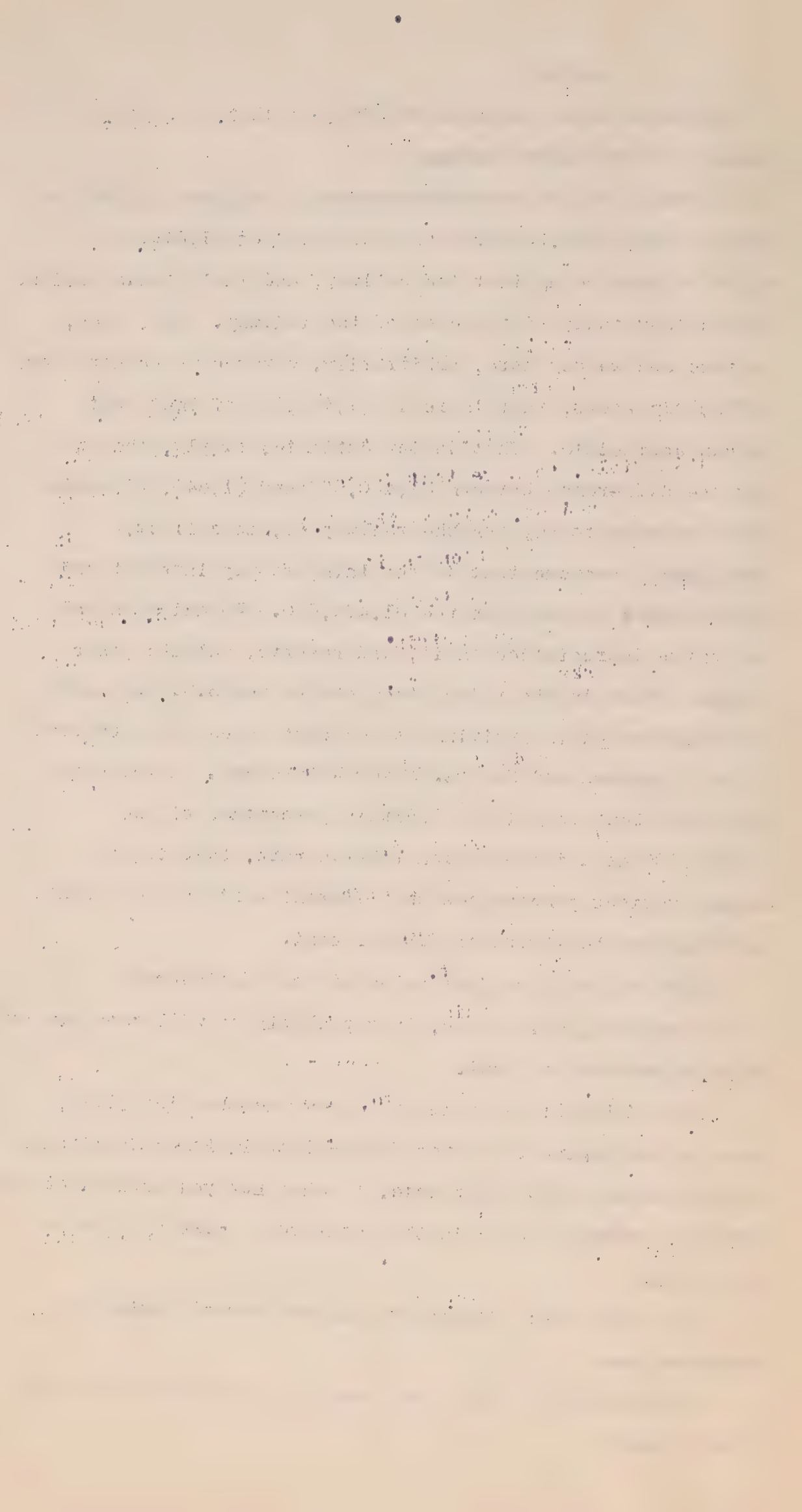
Q--That is the appraisal value of your engineers?

A--I may say, Mr. Harris, that probably we will have two or three appraisals on that.

THE CHAIRMAN: This is one dated December 15th, 1919, made by the engineers of the Hydro-Electric Power Commission on that date, and of that date, to show how you arrived at that \$270,000, items 8 and 9 in that statement, made by your own engineers.

SIR ADAM BECK: Issued for the purpose of fixing the depreciation.

COMMISSIONER HARRIS: What was the purpose of it in the first place ?



SIR ADAM BECK: The amount on which you base your depreciation.

COMMISSIONER HARRIS: It couldn't have been anything to do with that, because here is your ~~onw~~ item out of all the assets that you bought.

MR. GABY: I think you will find, Mr. Chairman, by looking at another statement, Way and Structures \$1,229,829.01; equipment \$206,968.79 --

COMMISSIONER HANEY: We have that \$257,000.

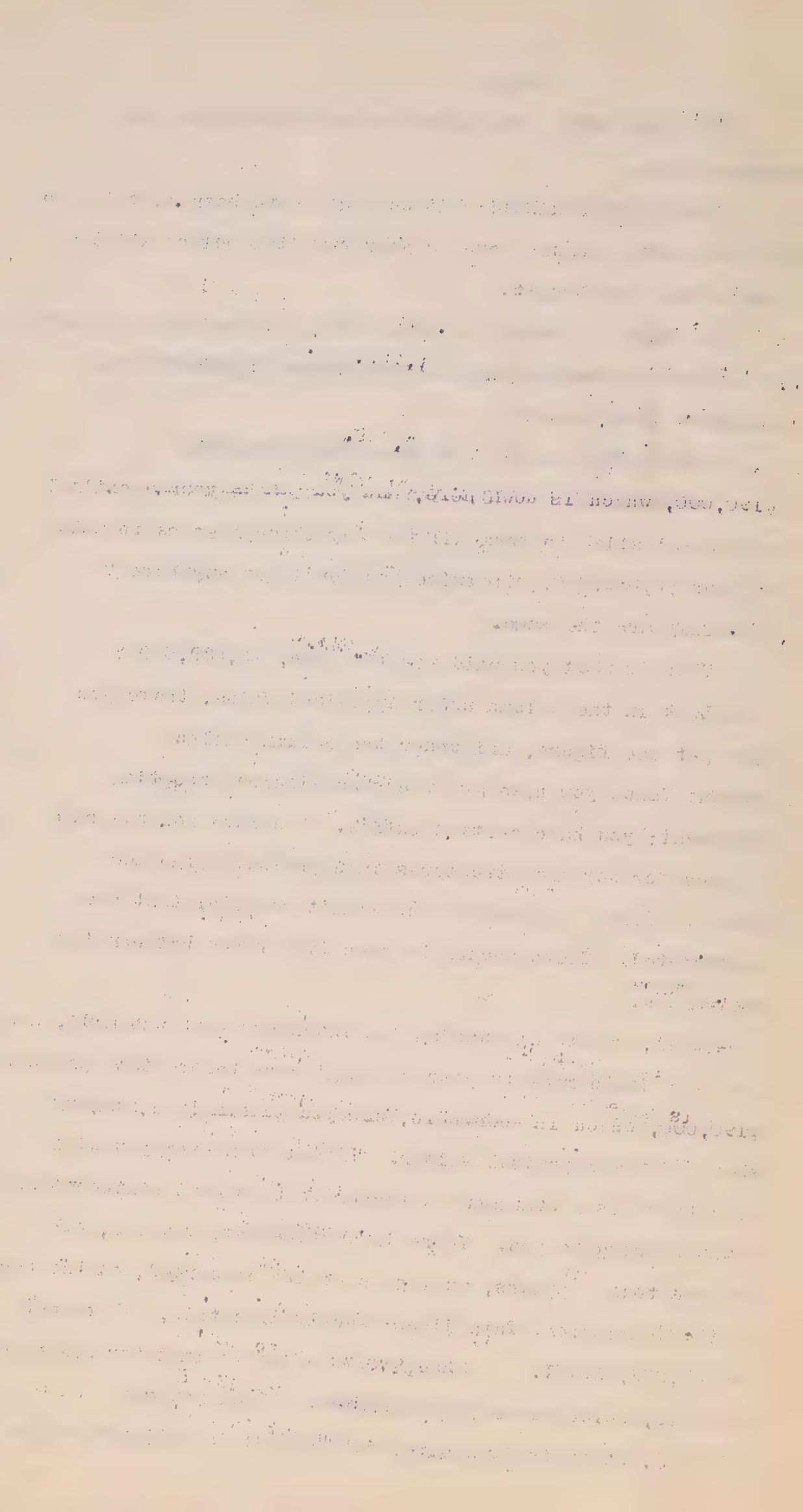
COMMISSIONER HARRIS: You ought to take your appraisal values and stick to them all the way through so as to make up your \$2,039,000, otherwise you don't get anywhere ?

A--They are the same.

Q--That is what you paid for the road, \$2,039,000 ?

A--Look in the column under Appraisal Value, there you have got one figure, and under the column called Present Value you have got the same figures excepting Equipment; you have certain extras. You have got the same figures for Way and Structures in Appraisal Value and Present Value. Apparently, he didn't consider that was depreciated. There should be some difference between those two values.

Q--Well, we are discussing the inventory that was made, and the appraisals made by your own engineers before this property was bought ? A--Mr. Harris, this is simply a summary sheet of the appraisal values. If you turn over you will find there is a statement attached to this next statement which I was reading to you. There is a statement, you see, of how the thing appears, as far as we are concerned, on the books of the Commission. This jibes exactly with this, all except the \$1,229,829.01. \$206,969.79 added to that for Equipment plus \$10,290.65 makes \$1,447,088.45. Then you get \$190,000, which is down here, and you put in \$401,000, which



is shown on this statement here as the Intangibles.

Q--Why didn't you sell the intangible items to Windsor?

A--Of course we did.

Q--Well, you didn't ? A--Of course we did. The \$190,000, that was the cash value of that property.

Q--What did they consider it was worth ?

A--They had to scrap the steam plant and other things.

THE CHAIRMAN: Q--Mr. Gaby, they showed enormous profits in operating that ?

A--Not that, Mr. Chairman, that has got to be taken in conjunction with the whole system. That is only a little section, and I doubt whether there is any statement prepared showing whether they operated at a profit or a loss.

COMMISSIONER HARRIS: Q--Here is the point in connection with the whole thing. You have allotted all of the intangibles on the railway to the properties, and you have not allotted any of the intangibles on that light and power system? A--We have. We sold that property to them at that time at what we considered a reasonable price in accordance with what we paid for it, and we considered that to be \$190,000 in bonds.

Q--Then why didn't you sell all the other intangibles to the railway company and let them pay that \$401,000 ?

A--The railway owned the whole thing and we had the property to dispose of, and by negotiation we got as high a value as we thought we could get, and as high a value as we thought it was worth, and we sold part of that property for \$190,000 of bonds to the City of Windsor, and the railway had to carry everything else.

Q--Exactly, the railway had to carry everything else?

A--The railway owned it in the first place and we sold the distributing system for \$190,000 of debentures.

Q--Which you valued at \$270,000 ? A--No, that was the reproduction value, something of that kind.

Q--Not your appraisal values, but that is what you paid, you didn't pay the depreciated value on any of these properties ? A--Now, Mr. Harris, I think you will find that that value put in there as appraisal value is an arbitrary figure. I think you will find it has no likeness whatever.

THE CHAIRMAN: It shows on page 31 how it was arrived at, those detailed reports ?

A--That report was probably prepared by the Railway Department, and they simply put in that figure as an arbitrary figure.

COMMISSIONER HARRIS: Q--Let us find out just who prepared it. Was it prepared by Mr. Fairley ?

A--It was likely prepared by Mr. Jeffery. No, this report was prepared by Mr. Fairley, and he put in the \$270,193.38.

COMMISSIONER R. A. ROSS: Q--Mr. Gaby, on page 32 that statement shows, in one column, the appraisal value, and in the second column the present value. The appraisal value is shown there as \$2,039,000 and the present value is shown as \$1,637,000, and it was necessary to issue against that appraisal value bonds of \$2,100,000 ? A--Yes, sir.

Q--What cash value had they? A--I really don't know at present, but I would concur, I think, in what Mr. Bonthron said, that they had a value of about \$1,600,000.

Q --That was the present value ? A--That was the present value.

Q--So that you paid cash for the present value ?

A--That is it.

Q--From that present value which you had you sold this property for \$190,000 ? A--Yes.

THE CHAIRMAN: Q--Yes, but they didn't get cash, they just got bonds, and the bonds, you see, covered all the intangibles ? A--In Mr. Bonthron's statement, I think,

the cash value that he puts on those bonds is \$1,600,000.

Q--Something like that ? A--As a matter of fact, that is, the \$2,100,000 has a value of \$1,600,000.

Q--Yes.

COMMISSIONER HANEY: Putting the bonds on a cash value, of course, you are making a comparison in one case on a cash value --

A--The value there of \$1,600,000 includes the value of the \$190,000.

Q--\$190,000 in bonds, just the same as \$2,039,000 was in bonds, and you cannot make a comparison of the bond value, and the \$190,000 bond value with the cash value of \$1,600,000 for the total plant. You must compare it with the \$2,039,000 figure which go to make a fair comparison.

COMMISSIONER J. A. ROSS: Price, Waterhouse state it like this:

"It might be well, however, to point out that the \$401,911.05 shown in the appraisal as intangibles is more than offset by the difference between the cash value and the par value of the \$2,039,000 bonds issued in payment for the railway properties."

A--Yes.

THE CHAIRMAN: What you got from Windsor at that time, in cash, was about \$150,000. I am speaking roughly?

COMMISSIONER HARRIS: We are dealing with it in terms of bonds, and treating it as though that were cash at the present time. Here is another way of getting at that, at least this is another question I would like to ask: For instance, on the Central Ontario System where you have got a whole lot of properties, the same as you have here --

SIR ADAM BECK: Well, Mr. Harris, I remember at the time that the amount was fixed for the property that that was all we could justify charging Windsor, and it was all that Windsor would pay, and we got all that it was worth probably.

I don't think that we, in any way, allowed Windsor to escape paying all that we could get for it.

COMMISSIONER HARRIS: I think that is where the whole principle of the thing is wrong, Sir Adam. You are buying something and paying \$270,000 for it, and because Windsor can only pay what the traffic will bear you sell it for \$190,000, and that other \$80,000 then is absorbed and assumed by the railway end of it which is entirely separate and distinct from the power and lighting end?

MR. GABY: That is the Intangibles.

COMMISSIONER HARRIS: In the Central Ontario System we have got, of course, those individual properties, but the figures are set on each one of these properties. Supposing someone comes along and wants to buy a gas plant, and your figures on that gas plant are \$100,000, they will offer you \$20,000 because it is all the traffic will stand.

SIR ADAM BECK: It may be all it is physically worth at that time.

COMMISSIONER HARRIS: Probably it is, but where is that loss of \$50,000 going to be absorbed, is that going to be absorbed by the other municipalities that are interested?

SIR ADAM BECK: There are no municipalities affected, it is the whole of the properties.

COMMISSIONER HARRIS: The same principle applies, somebody has got to pay that \$50,000.

SIR ADAM BECK: The whole investment assumes the loss on the Central Ontario System.

COMMISSIONER HARRIS: And the whole investment assumes the loss here.

SIR ADAM BECK: No.

COMMISSIONER HARRIS: Of course, the bonds are issued for that.

SIR ADAM BECK: No, we are buying the railway as a whole.

We buy the railway at a fixed amount, that is, the whole of the properties at a fixed amount, and then we take the properties that are of no value or use and that we have no authority to operate, at least that electric system --

Q--That is one item here that does not properly belong to the railway, that belongs to your power and lighting system in Windsor, and you take that item and you have paid \$270,000 for it, according to your engineers' own figures, that is their price and valuation. Then you sell that to Windsor for \$170,000 because that is all Windsor can afford to pay. In other words, that is all the traffic can bear?

A--That is not quite so, the traffic will bear all we have to charge it. That is all the value that we could show, you see, in that property.

Q--And yet your engineers showed you, Sir Adam, in purchasing it that it was worth \$80,000 more?

MR. GABY: That was a statement made and here are the details of it, made at a later date, April 19th, 1920. There is what the Accounting Department did use.

Q--Of course, Mr. Gaby, the Accounting Department has a way of making up those figures any way that they want, from time to time, in order to make them jibe ?

A--No, not to make them jibe.

Q--Those figures were made when the examination of the property had taken place ? A--Those figures were not made till the property was purchased, and long after the property was purchased.

THE CHAIRMAN: Q--But the figure of \$270,000 was made in 1919, Mr. Gaby ?

A--In 1919 ?

Q--December 4th, 1919 ? A--Here is the statement, April 19th, 1920, the same statement you have got there.

COMMISSIONER HARRIS: Q--In the meantime, you had found

probably -- A--That wasn't the value of that property as we sold it. It is simply a departmental division of those accounts.

Q--It was the bond value, and we have to consider that the bond value was the cash value, because these properties were paid for in bonds? A--Well, it wasn't considered as the bond value. You couldn't arrive at it in that way. For instance, here is the cash value of that property, \$1,226,000 as we inventoried it, and as we appraised it, as present value.

Q--How much did you pay for it, that being the cash value? A--I don't know.

Q--You paid \$2,100,000 in bonds? A--\$2,039,000 in bonds, but a distribution of that is wrong; if we paid \$2,039,000 of bonds and the actual cash value was \$1,637,000 then this distribution should have been made on that basis, that is, each one of them should have had a proportionate amount of intangibles charged to it.

Q--You said you paid \$1,039,000 in bonds. In 1919 the value, in bonds, of that power and lighting system was \$270,000, and in 1920 it was \$190,000? A--No, Mr. Harris.

Q--I say Yes? A--It wasn't anything of the kind, because this \$1,229,000 odd was a cash basis.

COMMISSIONER HANEY: A bond basis?

A--No, it is not a bond basis.

COMMISSIONER HARRIS: Q--Of course it is. You cannot deal with this thing in cash because you did not pay for it in cash, you paid for it in bonds?

A--But, Mr. Harris, that is an appraised value on a cash basis. It was absolutely an appraised value on a cash basis, and that is an appraised value cost, and that

Q-- \$270,000 is. What I mean is this: The \$1,229,000 odd has got no intangibles charged against it. It was a cash

basis in the first place. Now, if you paid \$2,039,000 for the property, in bonds, and the value on the cash basis is \$1,637,000, surely each item of that value should carry its share of the discount on those bonds --

COMMISSIONER HANEY: Q--Here is your appraised value \$1,229,000 ? A--For Way and Structures?

Q--Yes, and Equipment \$257,000, total physical value \$1,487,000; power and light system \$270,000, making a total of those items of \$1,757,000. Then you add \$281,000 odd as intangibles, which would probably be intended to apply to the items to which you did not apply intangibles ?

A--That statement was made by the Railway Department, and it is simply put in that arbitrary way. I don't know where they got it.

Q--If you sold this power and light system for \$190,000 in bonds, you would sell it for the same value that it is put in here at, and consequently the \$80,000 which is included here, and in another column indicated as intangibles, would have to be absorbed in some of those other items.

THE CHAIRMAN: Of course, Mr. Gaby does not accept that.

COMMISSIONER HANEY: It does not make any difference whether he accepts it or not, the figures are here ?

A--They are arbitrary. They are used only for the purpose of distribution, and never were used by the Accounting Department, or anybody else.

COMMISSIONER HANEY: Q--Of course, what we want to clear up is the fact that you did not get cash for this but you were paid in bonds similar to the bonds issued for the whole property? A--Yes, and we had a great deal of trouble getting \$190,000 in bonds for the property. The municipality thought it was worth about \$102,000. As a matter of fact, I think we got good value for it.

THE CHAIRMAN: Sir Adam said that it made so much money out of it that they were able to reduce rates 25 per cent.

SIR ADAM BECK: They divided their profits. It didn't affect the municipality, apparently, in its earnings, but I do know that that was all we could justify charging them for that system.

COMMISSIONER J. A. ROSS: Q--And you felt it was a good deal to get rid of it at \$190,000 ?

MR. GABY: A good sale, yes, good value.

Q--Whether you charged intangibles or not to the railway it was a good sale at \$190,000 ? A--Yes, sir, and they thought it was a bad purchase.

THE CHAIRMAN: Q--You see, Mr. Gaby, when those figures are furnished to us from your department showing in detail --

A--They should never have been furnished to you without supervision.

Q--Showing in detail how the \$270,000 is arrived at, we have to seek some explanation ?

A--When your engineers or whoever go through those files find something like that, and they propose to use it for this purpose, it should be submitted to somebody in authority to find out whether they are right or wrong.

Q--I think they were submitted by your engineers ?

A--They may have been. They are submitted by one Department to another, or they may have been submitted by one department who knew nothing about those figures. I think it was the Railway Department who submitted the valuation of that power plant, and they naturally had to get their figures from some other department, and I don't know how they arrived at it. It was of no account anyhow so far as we were concerned.

COMMISSIONER HANEY: It balances anyway.

A--He has got \$281,000 at the bottom to make it balance.

COMMISSIONER HARRIS: That was put in arbitrarily too, I suppose ?

COMMISSIONER R. A. ROSS: On page 31 there is an item at the bottom "4½ per cent bonds for betterment \$251,000" ?

A--That is made up in this way ? You will note that the bonds issued on account of the railway amounted to \$2,100,000. The actual purchase price was \$2,039,000 of bonds. We obtained back \$190,000 in bonds for the sale of the property. The difference between \$2,039,000 and \$2,100,000 is \$61,000, plus the \$190,000 municipal bonds which we obtained, and that made the \$251,000.

So that you retained in your possession 4½ per cent bonds for \$251,000 for betterment purposes ?

A--That is it.

Q--So that you did not pay to the company \$2,100,000 in bonds ? A--No, \$2,039,000.

THE CHAIRMAN: Yes, I was wondering how you arrived at that, it is not very clear?

A--It says here "Purchase price \$2,039,000, 4½ per cent bonds to power and light \$190,000." That leaves, you see, \$1,849,000 against the railway, so the difference is \$251,000 which is used for betterments, composed of \$61,000 of Hydro-Electric Power Commission bonds and \$190,000 of Windsor municipal bonds.

Q--Did you finally use this for betterments ?

A--We did. We hypothecated the bonds with the Bank and obtained a loan on them.

Q--Then you issued in addition --

A--There is \$900,000 issued in addition to the \$2,100,000, making a total of \$3,000,000.

Q--That was a very substantial addition ?

A--Well, that was for the addition of new cars, and practically 90 per cent rehabilitation of the road.

Q--Ninety per cent ? A--Well, very nearly.

Q--I think we were told that all you had left of the original

purchase was the right of way ? A--You can appreciate that. When we obtained that road it was in a very bad and run-down condition, nothing practically was done with it during that period.

Q--Mr. Anderson said there were some new rails in there?

A--Well, we didn't see them if they were there. As a matter of fact, I believe there were some new rails on the job but they were taken away by the company.

MR. FAIRLEY: About 2000 feet of new rail on the job.

MR. GABY: We had to pay for those.

THE CHAIRMAN: Q--They were not included in your purchase ?

A--There was some adjustment in connection with it as I remember.

Q--They laid down some track recently, during the latter part of the period in which they owned it, and you got those rails ?

MR. FAIRLEY: There were only 2000 feet.

THE CHAIRMAN: Q--How much of the track that you bought have you now, Mr. Gaby ?

A--Oh, well, we would have considerable of the track that was bought. I think Mr. Fairley could give you that in detail. What I mean by rehabilitation is that we have to take that track and re-tie it and fix the rail up that was there, put in new tie plates, and bond it, and things of that sort.

COMMISSIONER HARRIS: This \$2,100,000 of bonds that were turned over to the D.U.R. --

A--No, \$2,039,000.

Q--Yes, \$2,039,000, were those bonds of the same value as those that you had from the municipalities; their bonds were 4½ per cent ? A--Yes.

Q--Both were 4½ per cent. When you came to get money for rehabilitation, you have had \$200,000 of bonds issued.

what interest do they carry ? A--Six per cent.

THE CHAIRMAN: Q--How long do they run ?

A--I think they are 40 or 50 years, I am not sure which.
They are long-term bonds.

COMMISSIONER HARRIS: Q--How much sinking fund do you
have to put up on six per cent bonds ?

A--Under the Hydro-Electric Act there is no sinking fund
for the first ten years.

Q--Then have they provided sinking fund enough to pay
that all off in the next forty years ? A--Yes.

Q--Those are 50-year bonds? A--The original ones are
50 years, as I remember it, yes.

Q--Any new bonds issued ? A --I think they are 40 years.

SIR ADAM BECK: That would be 1.8

COMMISSIONER HARRIS: On 6 per cent ?

SIR ADAM BECK: Yes, that means thirty annual payments.

COMMISSIONER HARRIS: I thought that they could be issued
for 50 years, the Commission might issue bonds payable in 50
years with sinking fund deferred for ten years; that leaves
it 40 years.

SIR ADAM BECK: The sinking fund, when it does begin, is
on the basis of thirty annual payments, and that would be at
the rate of 1.8 per cent.

THE CHAIRMAN: Q--Mr. Gaby, what were the fares at the
time you bought it, at the time the Commission bought it ?

A--As I remember it, six for a quarter and five cents straight.

Q--Five cents straight and six for a quarter ? A--Yes.

COMMISSIONER R. A. ROSS: That is in the municipality
itself ? A--Yes.

SIR ADAM BECK: That was in the agreement.

THE CHAIRMAN: Q--What are they now, Mr. Gaby?

A--We operated for over a year after we took it over under
those conditions. We continued to operate on six for a quarter.

Then the rates were changed in July, I think, of 1921, to five cents straight, and on November 1st, 1922, to five cents or twenty tickets for a dollar, and six cents drop fare, or six tickets for thirty-five cents. You get six tickets for thirty-five cents or twenty for a dollar, which is the majority of sales, and six cents drop fare.

COMMISSIONER J. A. ROSE: Q--You are just speaking from memory, are you, Mr. Gaby?

A--I am just speaking from memory.

Q--That does not correspond with our record here. The fares charged from April 1st, 1920 --

A--To June, 1921.

Q--Yes, was five cents straight or six for a quarter, and then on July 1st, 1921, a straight five cent fare? A--Yes.

Q--And then on November 1st, 1922, the cash fare of five cents was raised to six cents, and the ticket fare of twenty tickets for a dollar? A--That is just what I said. I said that the fares up until July 1921 were six tickets for a dollar, or the old fares that were in existence, and 5 cent drop fare, and then in July, 1921, we went to a straight five cent fare, and then on November 1st, 1922, we sold twenty tickets for a dollar.

THE CHAIRMAN: Q--When you took the road over did you expect to rehabilitate to the extent that you did?

A--Well, we expected to put the road in operating condition as well as we could, and as years went on we expected to spend more money on this road to put it in operating condition and rehabilitate it as we found it necessary.

SIR ADAM BECK: We did not expect to open up those new sections with busses.

A--No, we did not. We did not figure on busses in the original proposition but we knew we would have to extend this railroad and have to give additional service, as we do today, as the population increases in those various districts.

Then again there are other things that determine our policy,

and that is the fact that as a municipality goes on and makes improvements on its roadway we have got to follow suit. We cannot be in an open cut in the middle of a concrete and asphalt pavement, we have got to follow suit and put in foundations in the same way.

Q--You charge that against the City ? A--No, we charge that against the railway.

Q--You got \$70,000 last year for doing that sort of work?

A--Whenever these new pavements went down, and the amount of work they would ordinarily have done under the Local Improvement Act why, they asked them to pay that. For the extra foundations of our own track, why, we have to pay for it.

Q--Did you make any speeches up there ? A--I don't know that I did.

Q--As to what the fares would be ? A--No, I didn't. I don't remember making any speeches at all in connection with that.

Q--Sir Adam was up there ? A--So the Mayor of Sandwich says.

THE CHAIRMAN: Sir Adam, perhaps you will tell me if this is correct, this extract from a speech of yours reported in the Border City Star. The speech was delivered by you at Windsor on November 29th, 1919:

"In a sense we have a very sure thing in acquiring the S.W. & A. Street Railway. It is a going concern and we have accurate knowledge of its earning capacity. The company has been very decent and has given us free access to the books. Consequently for the past two months, from day to day, we have known exactly what the revenue of the road has been .

Will produce Profit.

The Ontario Railway and Municipal Board at the time the Company declared that it could not pay the men an increase in wages unless the rate of fares was

"increase, told you that to meet the demands of the men you would have to support the increased ⁱⁿ fares, or the company would be operating at a loss. The Hydro Power Commission, after investigating the company, tells you that the system can be operated as a revenue-producing concern at the old rate of six tickets for a quarter. Further, the Commission tells you that on the old rate \$250,000 can be spent on extending and improving the system without the ratepayers being called upon to pay a single dollar of that amount in taxes.

This railway serves a community that is growing by leaps and bounds and consequently each year will see a substantial increase in the revenue. This our engineers believe will be sufficient to cover all the costs of extending and improving the service. I am given to understand that no one in the border municipalities has the "riding habit" on the S.W. & A. but by improving the service, both in the rolling stock and the frequency of trips, we will get it for them."

SIR ADAM BECK: I think that is all correct, but not anticipating the increased wages that we had to pay of 30 odd per cent.

MR. GABY: We had one increase, Sir Adam, almost immediately in 1918, but we had another increase in 1920 of another 10 per cent, and other things increased, but then we had to issue debentures for \$900,000. As you will remember, in the first year's operation we had a surplus of \$22,000 on the old rates, that is, the first year's operation under the conditions as they were operating at that time we had an actual surplus of \$22,000.

THE CHAIRMAN: Q--What do you pay the men now, Mr. Gaby?

MR. GABY: Fifty-five cents.

SIR ADAM BECK: The company aside from surplus earnings over operating costs were paying forty cents.

MR. GABY: Another thing, Mr. Chairman, is, that we increased our service nearly 50 per cent or more, that is, we have increased the car miles probably 50 per cent. If we could have carried on under the old conditions we would have had a surplus, on that kind of operation, but, as I say, we have had to increase the service and will have to continue to increase it from year to year as it is necessary.

Q--You have a very rapidly increasing population, and a larger number of people using the cars consequently?

A--Yes. We had to put on an additional bus service and, as you say, the population is increasing very rapidly there, and with the new situation developing in Ford where there is going to be an expenditure made of \$9,000,000, meaning an increase in population of from 10,000 to 15,000 in the next few months, for the purpose of construction and probable operation, why, that will mean that we will have to give additional services and we will require additional expenditure on that account. The revenue, I might say, may not be sufficient in the beginning --

COMMISSIONER HARRIS: Do you think his estimate is likely to be justified ?

A--Ford is a very small municipality.

Q--I know it is.

MR. ROBERTSON: Mr. Campbell told me they would employ ten thousand by the first of September. If they got 50 per cent of that it means 15,000 against four or five.

COMMISSIONER HARRIS: It takes an optimist to make estimates, doesn't it ?

MR. GABY: Not always, some of them are very pessimistic in their estimates.

MR. ROBERTSON: He is employing now 3500 men.

COMMISSIONER HARRIS: You have no pessimists in the Hydro

when it comes to making estimates ?

A--Well, they always come very close.

COMMISSIONER HANEY: By guess or otherwise.

A--Take the Queenston-Chippawa you will find they are close to the estimates there. Take your Nipigon estimates, and you will find that if we had the same rates of pay and material, notwithstanding what the papers say about exceeding our estimates, we would have saved \$250,000 on our estimates.

COMMISSIONER HARRIS: Of course, there is always that little "if". I would make some allowance for that "if".

A--We do, and I say we would have saved \$250,000 on that estimate.

Q--You mentioned Chippawa a minute ago. When are we going to get all the estimates ? A--You are getting the estimates.

Q--Are we ? A--Yes, sir.

Q--When ? A--You have them, you have all the estimates on the Queenston-Chippawa.

THE CHAIRMAN: If you will look at our letter of last April you will find the last two questions have not been answered yet. They haven't come to us ?

A--Well, they have gone to Mr. Francis.

Q--Mr. Francis said not. He told us they hadn't reached him?

SIR ADAM BECK: In the operation of busses, the busses that were there and used by private individuals charged a 10 cent fare. We put into effect a fare of 5 cents and 1 cent transfer on the busses that we are operating, and the private busses were taken off the service, and that 1 cent transfer, at the request of the Council, was dropped when we put into effect the 6 cent drop fare and the twenty tickets for a dollar. And another thing I think your attention should be drawn to is that the fares from Windsor to Amherstburg, the long-distance, have not been altered, they

are still $1\frac{1}{2}$ cents and 2 cents a mile.

Q--What is that ? A--The Interurban.

Q--What is the distance ?

MR. GABY: About 17 miles.

SIR ADAM BECK: The Interurban rates have not been changed since we took the road over, and that is some good part of our operation.

Q--Your increases in wages, Mr. Gaby, were made since the end of November, 1919. That was after the strike, wasn't it ? A--That was after the strike, yes.

Q--Because you will remember Mr. Anderson said they had raised the wages in the latter part of their term ?

A--The wages, I believe, were raised in either August or September.

MR. ROBERTSON: They were raised by the Ontario Railway Board.

THE CHAIRMAN: What were they increased to ?

MR. GABY: 40 to 50 cents.

Q--So that the only increase you have made since that time is 5 cents ? A--Five cents.

SIR ADAM BECK: That was after the vote was taken, no one knew anything about that.

THE CHAIRMAN: But at the time you made this speech, Sir Adam, they were 50 cents.

SIR ADAM BECK: No, 40 cents.

THE CHAIRMAN: Yes, 50 cents at that time.

MR. GABY: We carried on at 50 and we had a surplus in the first year of our operation.

THE CHAIRMAN: So that all the increase in wages made after this was 5 cents.

MR. ROBERTSON: That is as far as trainmen are concerned. Then there were increases to sectionmen. We ran up as high as 60 cents for sectionmen, in fact as high as 70 cents at one time.

THE CHAIRMAN: What are you paying them now ?

MR. ROBERTSON: Forty cents.

Q--Forty cents is about what you were paying them then, or were you paying them more than forty ?

A--Less than forty in 1919.

THE CHAIRMAN: That is rather remarkable.

MR. GABY: That is just for section men, maintenance men.

THE CHAIRMAN: In most cases labour was just as high at the end of 1919 as it is now, a little higher in some places.

MR. ROBERTSON: 1921 was the peak. Of course, we had to increase the wages in the shop forces.

SIR ADAM BECK: Materials were all increased materially.

MR. ROBERTSON: Armature sets went from about \$40 a set in 1919 to \$130 and \$135.

THE CHAIRMAN: Have you anything to show what the increase in wages has been since you took it over ?

MR. GABY: You mean the increase in wages of section men, or train men ?

THE CHAIRMAN: Everything, can you let us have that ?

MR. ROBERTSON: Yes, sir. It was \$111,000 in 1919.

THE CHAIRMAN: Hadn't you better give it when you took it over in 1920 ? What were they then ? A--I was using the total amount of wages paid in 1919.

Q--You mean paid by the old company? A--Yes.

Q--Oh, yes, nearly all that was under the old rates, but they started about September, 1919.

MR. GABY: It would probably be about July, or August or September.

THE CHAIRMAN: Yes, so that wouldn't give a very correct idea of just what the increase was. What has been the increase since ?

MR. ROBERTSON: That was the increased cost for that year,

\$111,000 for 1919, and last year it was \$215,000.

1--A large part of that year they had been operating under the old rates, and the latter part of the year they were operating under the higher rates.

MR. ROBERTSON: A little higher rates, and it was after the rates had been increased that the statement was made.

2--Now, what I would like to know is what increase there was over and above the rates that were existing at the time you took the company over.

SIR ADAM BECK: In wages and materials?

THE CHAIRMAN: In wages alone. It was wages I was referring to just now.

SIR ADAM BECK: We would like to have it include all the cost of operation and maintenance.

MR. ROBERTSON: We had a higher maintenance cost as far as maintenance of way and structures were concerned in each of the years, in rehabilitating the line. We have spent more on that than they spent in normal operation.

SIR ADAM BECK: Just in maintenance.

COMMISSIONER HANEY: Then you also say that you increased the service 50 per cent.

MR. ROBERTSON: Oh, yes.

THE CHAIRMAN: That is provided for in this statement on improving and extending the system.

SIR ADAM BECK: Mr. Chairman, you are making out a case through quoting this article.

THE CHAIRMAN: That is a speech.

SIR ADAM BECK: A speech, but the fact is that I told the municipalities very distinctly, on all occasions, I think, that the fares might be 8 cents, or 7 cents, or 6 cents and not 5 cents or six for a quarter, depending entirely upon the cost of operating the railway and the revenue we might receive, because it had to be operated on a cost basis, and I

usually referred to the items that would be included in making up the cost, and those figures were mentioned by me. I might have said it may be a 4 cent fare or a 5 cent or 6 cent or 7 cent or 8 cent fare.

Q--They are more likely to remember the 4 cent rate than the 7 or 8 cent rate? A--I might have used the figure 4. I might have used almost any figure because, after all, the fares we would charge would have to be sufficient to provide a revenue to meet all the costs of operation, including interest, sinking fund, and so on. That was referred to on all occasions, and that was the impression that we endeavoured to leave with the public there, that it was a cost proposition. They knew that the agreement and Act provided that an amount had to be raised in fares to take care of all these costs, and I referred to that as high as 7 and 8 cents, that is the recollection I have.

Q- Oh, I suppose under the Act they would have to pay the cost? A--They knew what the agreement was, those things were all discussed, and when you take an article in which reference is made to something of that kind, under the extraordinary conditions that prevailed when we began operation of the road, I don't think it is a fair thing to do.

COMMISSIONER HANEY: As a matter of fact, Sir Adam, the people pay for service.

A--They all say so, and they say so here although they charge 7 cents. The only difference is that we went on operating under the conditions that existed. Nobody could tell what fare we would ultimately have to charge, we simply allowed it to run on, but the T.T.C. adopted the other course and raised their rates to 7 cents not knowing any more than we did what they would require to finally fix as a rate to take care of the capital investment.

Q--I suppose they were in the dark in Toronto the same as

you were in regard to the cost of rehabilitation ?

A--They still are, because they don't know that the arbitrators are going to fix as the value of the property they took over.

Q--You are the only ones that have light on that, I suppose?

A--Well, we are not very brilliant yet.

THE CHAIRMAN: Q--Something was said, Sir Adam, you will recollect at Windsor about the amount paid for insurance. I think it is \$20,000 a year, and it was said by Mr. Anderson to be very high as compared with what the old company paid?

A--Yes. Well, that is the policy of the Commission, I think, to avoid serious losses.

Q--What have the losses that have been paid by the Insurance Companies amounted to ?

MR. GABY: Well, you see, they are limited to a certain amount.

Q--Oh, they are limited to a certain amount ?

A--I don't know the real details, but they are limited to a certain amount, in one instance \$10,000.

Q--Well, you don't know that ? A--No, they are not all settled yet. For instance there was a very serious accident over in Ford not long ago, a freight car running into one of our cars, and then another case where some boys got seriously injured, and we haven't the final settlement in connection with those.

COMMISSIONER HARRIS: Q--What was in the freight car ?

A--Fords. Of course, it was going into the Ford plant.

THE CHAIRMAN: A--I think the evidence given showed that the accidents you suffered were all of a more serious character than those sustained by the old company ?

A--I think we showed that the number of accidents we had were less than the number of accidents that they had, and as far as the character is concerned, outside of this freight

car accident which, of course, was through no negligence on the part of the Commission. The only serious one we had was that one of the two boys, although everything was done, as far as possible, to try and draw the attention of those boys.

SIR ADAM BECK: You have to make liberal allowance of the fact that the service was very intermittent and not as good as ours. We increased the service 50 per cent and, consequently, with the increased speed and so on you should reasonably expect more accidents than they had with the very slow and intermittent service they gave. We would figure they shouldn't have any accidents, everybody could keep out of the way.

Q--They seem to have had more accidents than you have had and they seem to have got off with it for about \$6000 or \$7000.

MR. ROBERTSON: If you go back for years you will find they had more.

THE CHAIRMAN: Three hundred accidents, weren't there ?

MR. ROBERTSON: Three hundred and four.

SIR ADAM BECK: Well, I suppose the public are expected to be more human and pay reasonable compensation to those that meet with accidents.

MR. GABY: There is another feature, too, if we insured more than they ever did, we insured properties and buildings that they didn't insure.

THE CHAIRMAN: Q--This would cover everything, Mr. Gaby?
A--Everything is insured, fire on equipment, etc.

MR. ROBERTSON: They only paid \$1800 as the premiums on their insurance against fire while our premiums run up over \$10,000.

THE CHAIRMAN: That seems very high.

MR. GABY: The rate is comparable with other rates. We have more insurance than they had, insurance on buildings, cars, and everything like that. We got the lowest possible

rate as far as rates are concerned.

MR. ROBERTSON: A report was made the other day on the average per cent of gross earnings. For instance, in the United States last year it was over 5 per cent, and our insurance does not cost us 2 per cent.

THE CHAIRMAN: Something was said the other day about those switches that have been laid down, and I think somebody said that you would let us see the by-laws which have been passed by the municipalities.

MR. GABY: We have the resolutions.

Q--Aren't there some other switches put down? We were talking of the switches from the breweries to the railway, but aren't there switches from the Radial to the piers from where the cargoes are shipped?

A--Well, we have gone to certain properties, such as at Petit Cote, and we have some other locations. What they do, I don't know, that is their own business.

Q--But at Petit Cote, what switches have you down there, Mr. Gaby? A--We have just one into the property, as I remember it.

Q--And when did you put that one down?

A--What is the date, Mr. Fairley?

MR. FAIRLEY: There are three off the Interurban line and one off the City line. The one off the City line is opposite the British American Brewing Company.

Q---Just a moment now, are these down at Petit Cote?

A--Yes.

Q--I just want to have a clear idea of where those switches are? A--They are on private property.

Q--Just tell us where those switches are?

A--There are two owned by the British American Brewing Company.

Q--Isn't that where you take the cargoes on? A--One is off the

City line on Sandwich Street in Windsor.

Q--Is that where you load up or unload ?

MR. GABY: We don't load. They hand the car over to us under seal.

THE CHAIRMAN: That is on Sandwich Street, you say, Mr. Fairley ?

MR. FAIRLEY: Yes.

Q--Is this one at a place where the cargo is taken on or where the cargo is taken off ?

MR. GABY: Both ways, that is, they ship both in and out. We will take shipments in and out whenever we are advised.

Q--But you take shipments out of there, sealed shipments ?

MR. GABY: Yes.

Q--Those are the shipments I am interested in, sealed shipments ? A--We don't know what is in them.

COMMISSIONER HANEY: Q--Do the waybills show what is in them ?

A--I don't know that the waybill does, it is simply a carload of freight from one point to another.

SIR ADAM BECK: I cannot see the object of this, we are doing a legal business.

THE CHAIRMAN: I want to find where those switches are. I got the wrong idea of them the other day. Now, we have got one down at Sandwich Street in Windsor, and that is one that the City Council of Windsor passed a resolution in connection with asking that it be put down.

MR. FAIRLEY: Approving it.

SIR ADAM BECK: The application came from the brewery for a switch, and we could not justify spending the money, but the municipalities interested passed resolutions asking us to do it so long as the company paid for it.

THE CHAIRMAN: Mr. Fairley said the City Council passed a resolution approving it.

SIR ADAM BECK: If the company paid for it.

THE CHAIRMAN: Was that after it was put down ?

MR. GABY: No, before it was put down.

MR. FAIRLEY: Here is the resolution, Mr. Chairman,
an application from the British American Brewing Company for
permission to lay a spur from the Hydro Radial Railway --

THE CHAIRMAN: Yes. Well, I think ^{that} is one of those that
you spoke of up at Windsor. Where is the next switch, would
that be down the River from there ?

COMMISSIONER HARRIS: You say that the company paid for it.
Did they pay for it on the usual switching agreement ?

MR. GABY: They paid the whole thing in this case.

MR. FAIRLEY: They deposited a marked cheque for the
estimated cost of construction. We were to repay the excess
over and above that, if there was any, or we would bill them
with a further amount. They paid the whole cost,
100 per cent.

THE CHAIRMAN: Q--Have you had a final settlement with
them on this ? Did you find it was too much or too little ?

A--There is a small deposit on hand as a matter of fact,
the thing is not closed out yet. We have a credit balance that
we hold of theirs.

COMMISSIONER HARRIS: They paid the whole cost of it,
depositing a marked cheque.

MR. GABY: We have no interest whatever in it.

THE CHAIRMAN: When was this resolution passed by the
Council, Mr. Fairley.

MR. FAIRLEY: That was passed on June 19th, 1922.

Q--And what was it, how did it read ?

A--I was just reading it, an application from the British
American Brewing Company for permission to lay a spur from
the Hydro Radial Railway on Sandwich Street to the company's
property along River Street, that same be granted.

Q--Is this the highest switch up the River ?

A--That is the only one in the centre of the City.

Q--Where are the others? A--The other one is down in Petit Cote.

Q--Where is Petit Cote ? A--It is down below Turkey Creek, if you know where that is.

Q--How far from the point where this other switch is ?

A--It is probably five or seven miles.

COMMISSIONER R. A. ROSS: Q--Under the Dominion Railway Act could you refuse to carry freight ?

A--I don't think so. We would be subject to damages, or subject to litigation if we did.

Q--So that in carrying these goods, whatever they may be, you are obliged to do so ? A--Yes.

Q--You are acting under the Provincial Railway Board ?

A--I presume so. I don't know the legal status of the Commission in connection with that.

Q--They usually have something to say with regard to equipment of switches ? A--Yes.

COMMISSIONER R. A. ROSS: Have they approved those, Mr. Gaby ?

MR. GABY: The matter has been taken up with Mr. Fairley and Mr. McIntyre, in connection with the status of the Commission.

THE CHAIRMAN: Q--Did you receive the approval of the Board before you put them down? Did you apply to the Board for their approval ?

A--Mr. Fairley took it up with the Board, he discussed it with Mr. McIntyre.

Q--Did they issue an order ? A--No.

MR. FAIRLEY: No. None of the applications for switches have yet been submitted to the Railway Board. It seems a question as to whether we were under them, and

had an interview with Mr. McIntyre, Chairman of the Board.

Q--When was that ? A--That was probably two months ago, and he suggested, in order that we be protected by Statute, that we submit the thing to them, and he said that it would be on a better basis if we had the approval of the Board. He said we might submit, as evidence, the approval of the Municipal Council wherever we effected any changes.

Q--And you haven't formally submitted it yet ?

A--No, we have the same condition in Guelph where we refused to construct there, but in each case we got the approval of the municipality.

Q--Take this next switch up ? A--Then we submitted an application to the County Council, Essex County Council, for permission to cross the highway.

Q--At what point ? A--This into Lot 34, Concession 1, Township of Sandwich. That is the discharging point of the business that originates in the City.

Q--That is where you unload the freight ? A--Yes. We don't unload it, we deliver the cars on to this siding.

Q--Have you ever been there when it was unloaded ?

A--Yes.

Q--Well, you ought to have a pretty good idea of what it is carrying then ?

COMMISSIONER J. A. ROSS: I think Mr. Gaby is only interested in the amount of revenue he can get out of them. If it is legal business then it is a question of how much revenue, from his standpoint. How much revenue does your report show per day on it, do you make \$100 per day?

MR. GABY: Very nearly \$100 a day.

Q--If it is \$100 a day, that is, the revenue taken in that way, why, it is good business ? A--I think about \$3000 a month is what we get out of it.

COMMISSIONER R. A. ROSS: Q--Out of what ?

A--Out of handling freight, we don't know what it is.

SIR ADAM BECK: Is that all your freight, or just freight out of these sidings ?

MR. ROBERTSON: Freight that originates on steam roads, or originates on our own line, to these particular sidings.

THE CHAIRMAN: Q--Yes, to those sidings, and those are sidings right on the River.

MR. ROBERTSON: Yes, sir. All the steam railways handle it, you know.

Q--Handle what ? A--Handle liquor all over the country.

COMMISSIONER HARRIS: Is any of this near-beer ?

MR. GABY: No, we don't know anything about it.

Q--Two-thirds of your traffic then is liquor traffic ?

A--I don't know what it is. What is the total revenue, Mr. Robertson ?

MR. ROBERTSON: I would say, approximately,-

MR. GABY: It all depends upon conditions and times.

COMMISSIONER HARRIS: Q--Of course, I am not asking that in a critical way ?

A--It all depends on the times. Sometimes we have as much as \$3000 a month on other things. That would be about 50 per cent.

Q--You cannot tell, I suppose, or even estimate, how much liquor traffic travels along with the passenger traffic?

MR. ROBERTSON: They have been handling that for fifteen years up there.

THE CHAIRMAN: Handling what ?

MR. ROBERTSON: Liquor.

THE CHAIRMAN: It is not a new invention, they have been handling it for 12 or 14 years.

COMMISSIONER J. A. ROSS: You have got a pretty good haul on this.

MR. GABY: We get a fair revenue out of the proposition, on the whole. We have got the connection with the Essex Terminal Railway, and also with the M. C. R., and they handle

traffic to us at those various connections, interchange traffic, and we handle it to its destination. It comes from Hamilton, Kitchener, and all over.

SIR ADAM BECK: When this matter was brought up it was considered by the Commission, and we felt as trustee for these municipalities, who would be required to give a sufficient revenue or moneys out of taxes if the revenue from the railway wasn't available to operate those roads, that as they requested connections we presumed it was their desire, that is the desire of the municipalities, that we should take all freight business that was legally within our jurisdiction, and on that basis, and until it was shown it wasn't legal, the Commission decided to perform, as trustees, the functions of carrying freight, all freight, that was handed to them. We felt that we were simply doing our duty, representing the municipalities, and that we should accommodate the business that was offered in this way, and we are doing it on that basis. It isn't our money.

THE CHAIRMAN: Did you obtain legal opinion on the subject, Sir Adam ?

SIR ADAM BECK: I think the Courts have pretty well decided that.

COMMISSIONER R. A. ROSS: Do you come under the Dominion Railway Act?

SIR ADAM BECK: Is that a Dominion chartered road ?

MR. ROBERTSON: No, Provincial.

SIR ADAM BECK: The class of goods under the Inland Revenue Act --

THE CHAIRMAN: I was asking you if you had obtained legal opinion from anybody on that question. The question has been raised, did you satisfy yourselves?

SIR ADAM BECK: I don't know whether we have or not.

MR. GABY: Mr. Pope has taken the necessary steps, he

consulted Counsel on it.

THE CHAIRMAN: Was legal opinion obtained?

SIR ADAM BECK: I don't know whether written opinion was obtained or not.

THE CHAIRMAN: Did you submit it to the Attorney-General for his opinion ?

MR. GABY: No.

THE CHAIRMAN: You might do that, Sir Adam.

SIR ADAM BECK: The Commission of Inquiry might do it, we are interested in getting revenue. I suggested the Press to you a while ago. There is always a political interest and, of course, we do not consider that.

THE CHAIRMAN: Q--Mr. Fairley, you have been interrupted several times, perhaps you had better tell us where that other switch is.

A--In Sandwich West, Lot 34.

Q--What is the length of that switch ? A--Oh, it is probably four or five hundred feet long.

Q--Did you receive any request from the municipality to put that there ? A--Not by the municipality to put it there. It was submitted to them for approval, crossing the highway, and that permission was granted by resolution on June 19th, 1922.

Q--Well, to what point does that switch lead ?

A--Here is the permission. (Mr. Fairley reads Permission). They were afraid we would not put in enough so they passed it for two. We only applied for one.

Q--Who paid for that ? A--They paid again 100 per cent.

Q--Who paid it ? A--The applicant.

Q--Who was the applicant ? A--The British American Brewing Company again. That was the other end of their business.

Q--And that was not put on their property? A--Yes.

MR. GABY: They owned the property ?

THE CHAIRMAN: Q--Did this switch end at the River ?

MR. FAIRLEY: Yes.

MR. GABY: It doesn't go right to the river, Mr. Fairley ?

MR. FAIRLEY: Yes, it goes right to the water.

MR. GABY: Does it now ?

MR. FAIRLEY: Yes, it always did. This is known as the Benoit Spur. Benoit is, apparently, the agent of the British American Brewing Company.

THE CHAIRMAN: Do any shipments go over this spur except shipments of the British American Brewing Company?

A--Not that I am aware of.

Q--Don't you take other shipments over this switch too?

A--Yes, if it is consigned that way. We move anything they ask us to.

Q--What other switches did you put down ?

A--There are two switches just near there.

Q--Below or above ? A--One is above and the other is below. The St. Clair Export Company switch is just on the Windsor side of Turkey Creek. That was passed by resolution.

Q--When was that ? A--That was about the same date.

Q--What Council was that ? A--That was Essex County Council, June 19th, 1922, W. P. Coyle, Clerk, signed it.

Q--Well, who paid for that siding ? A--The British American Brewing Company paid for that. They deposited a marked cheque before we started construction.

Q--That is for the switch below the one at Petit Cote ?

A--On the Windsor side of it. That was paid for by the St. Clair Export Company.

Q--What company is that, where are its headquarters ?

A--They are in Windsor.

Q--And what is their business ? A--Export business.

Q--Exporting what ? A--I don't know. I presume they export anything they can.

Q--Well, do they take the same class of goods to their pier that the others do ? A--Yes, the same as far as we know.

COMMISSIONER HARRIS: I suppose they export onions ?

A--They export anything that is offered to them, I presume.

THE CHAIRMAN: Q--And they paid for it. Was this all about June last ?

A--Yes, all midsummer last year.

Q--Do they take freight there at any particular time of the day ? A--I don't know. Whenever shipments are offered to us we move them.

Q--Well, you know about what time they deliver those different shipments ?

MR. GABY: Mr. Fairley is the engineer of construction, and he doesn't know what shipments go over there.

THE CHAIRMAN: Q--Do you know, Mr. Gaby, about the time that they deliver at those places ? A--No.

Q--Would any of them be delivered at any time ?

A--I suppose at any time during the 24 hours. They would simply notify us that they wanted an empty car. We would place the car and they would then notify us when it was ready for shipment, and we take it at our convenience.

COMMISSIONER HARRIS: Is there anything peculiar about handling them ?

A--Nothing at all, just the same as any other freight.

THE CHAIRMAN: You charge the same rate of freight, whatever class of freight is on the car ?

A--We have certain classifications.

Q--What is the classification for the freight you carry from those places ?

COMMISSIONER HARRIS: Q--You cannot cut rates, can you? Your rates are laid down by the Railway Commission?

A--They are approved of.

Q--You cannot cut rates ? A--Well, we have special rates.

MR. ROBERTSON: It is not altogether freight, it is Express freight.

THE CHAIRMAN: Q--And what do you charge per car ?

A--It costs about $12\frac{1}{2}$ cents per cwt. for certain classes.

Q--For the freight you carry on this, what is the charge ?

A-- $12\frac{1}{2}$ cents per cwt.

Q--How much would you carry on a car, Mr. Robertson?

A--If it is a standard railroad car it might contain anything up to 40 tons, or if it is one of our own cars it might be down to 6 tons, or 5 tons.

Q--Is the freight that you deliver at those places practically all of the same classification ? A--At those sidings ?

Q--Yes ? A--Oh, principally, yes. They are talking now of bringing gravel in. This Essex Export Company is talking of bringing gravel in for Windsor and vicinity over some of these sidings. Gravel up there is pretty high at present.

COMMISSIONER HARRIS: Q--You would have to haul that for some distance ? A--Wherever they can get it delivered.

Q--You have no gravel pits around there at all ?

A--There aren't any.

SIR ADAM BECK: They get it at Sarnia.

THE CHAIRMAN: Q--Sir Adam, is your time pretty well or fully taken up with the purely Hydro-Electric work that you haven't much time to give to railways ?

A--Well, I think, Mr. Chairman, if it wasn't for the Commissions that we have to look after --

Q--And arbitrations ? A--And the arbitration last year probably, yes, I would have more than ample time to attend to the Commission's business, and occasionally get some recreation riding, and a few other things that other people enjoy.

Q--Haven't the construction and operation of those railroads, and the campaigns that have been carried on taken a good deal of your time ? A--Well, they were not campaigns, they were duties that devolved upon us to explain the working of the Act and the Agreements, and meet the misrepresentations

often of those opposed to them.

Q--But whatever you call it it has taken up a good deal of your time ? A--That was usually in the evening. The reason that the Hydro-Electric Power Commission is operating this railway is because of the advantage that there would be in consolidating the two. That was a question for the municipalities. They would be benefitted both from the standpoint of the electrical operation and railways. I think that is the object. The object in Toronto in operating a large railway system and two Hydro-Electric systems, I think, is to accomplish economy, bring about economy which is quite considerable.

I think you will find that our administration costs of the companies taken over are infinitely less than they were under private control.

Q-- Speaking of it now from the standpoint of the work that it entails upon the ^members of the Commission and its staff, haven't they got enough work to do to look after the purely Hydro work ? A--It depends on how little you want them to.

Q--If they were just to do their full duty to the purely Hydro power part of the work wouldn't it absorb all their time ? A--It isn't in the actual operation and the actual carrying out of the administration that you refer to. I don't think anyone has more than what he might anticipate having time to give to carry out the functions that are created by the work that is before us from day to day. I don't think there is any difficulty. Naturally my co-commissioners spend little time on the work other than the meetings they attend. I don't think there is very much other duty for them there, unless they see fit to spend time there informing themselves of the affairs of the Commission, but that is their own affair. The actual time spent I don't think is serious, and they carry on their own affairs quite readily,

I think.

Q--And you do not think that the time you give to radial railways interferes with all that you should do on the Hydro part of it? A--I certainly don't think it has, as far as operation, and keeping myself posted as Chairman of the Commission, in any way shape or form affected my duties in connection with Hydro. I am quite satisfied of that. There is a special organization there, and I can look after the railways. I know what they are doing.

Q--Why shouldn't the municipalities look after those things themselves just as they do look after them in Toronto?

A--Why should there be any railways at all?

Q--Oh, no, but why shouldn't they be managed by the municipalities themselves? A--That is a matter for the municipalities to decide. You know that the original Radial Railway Act made provision for the operation of those railways by the municipalities, and they are financing them by the issuing of their own debentures, and after years of deliberation on their part, and entirely their own affair, they came back and asked for amendments to the Act, and asked for the guarantee of bonds and a bonus. They thought they should be bonused, that they had a right to ask the Dominion and the Province to bonus them, and they made journeys to Ottawa, I think, asking for a bonus, and I know they did request the Province to bonus these railways. The Government at that time refused, but they did, as you know, in 1914 I think it was, agree to guarantee the bonds. It wasn't obligatory, but permissive legislation was passed in which they might guarantee the bonds and they assume the responsibility of asking the Hydro-Electric Power Commission to operate these railways, and that is how it was brought about. Now that Act has been repealed, and there are only the railways that we have in operation, or

that should be brought into operation under that Act, as repealed. I suppose that ends it. We cannot increase the responsibilities that you are talking about, or extend them, but I can quite honestly say, so far as the operation of these roads is concerned, even reconstruction, and so on, I don't think the Commissioners have been burdened on account of it, and I am satisfied that the two schemes together are essentially more economical for the municipalities, and entirely to the advantage of the municipalities. We have a case now: By taking over the Metropolitan Railway we are able to comply with the formal application of municipalities in that district for the supply of power, because we are able to supply from this railway's transmission system of electricity that we could not economically reach from the Hydro systems, as they existed.

Q--You can use the poles on this railway ?

A--We use the "juice" as they call it, that is what we are doing.

MR. GABY: Sutton, Stouffville, there are several.

SIR ADAM BECK. What is the one we have already connected from the Metropolitan ?

MR. GABY: We supply Richmond Hill and Newmarket, and those districts. Now there is Sutton, Aurora and Stouffville and those municipalities.

SIR ADAM BECK: And, in that way, we are able to reach those municipalities.

THE CHAIRMAN: I suppose you could reach them anyway, could you not by arrangement with the railway ?

MR. GABY: No, you could not do that very well. The two organizations work together, the line organization for the railway and power are both the same.

THE CHAIRMAN: I know that out our way I get my electric light through an arrangement to use the telegraph poles along the road. It is all carried on those poles, but it is

separate, of course.

SIR ADAM BECK: As a public undertaking it is very advantageous. You know that the Dominion Power and Transmission not only operate a Hydro system but are also operating railways, suburban and interurban, to a very great extent, and in doing so they are supplying, I think, the Village of Oakville and all that district with power.

THE CHAIRMAN: The Town of Oakville?

SIR ADAM BECK: Really, when were you incorporated?

THE CHAIRMAN: 1855.

SIR ADAM BECK: I have made myself quite clear on that point.

THE CHAIRMAN: I think so, Sir Adam, we just wanted your opinion of that.

A--It must have been the opinion of the municipalities after carefully considering it, because they came back and they got the legislation that they sought, and they didn't go on with the scheme until they had it.

Q--I don't know whether you were present at Windsor when some of them said that it took them a good deal of time to get action, that they had to deal with an organization that was so far away? A--Attention was drawn to the fact that the Commission had a private line, and ^{when} information was required from the Commission it was secured, over that private line, as quickly as if we were located in Windsor.

Q--Is your staff thoroughly trained in the operation of roads of this kind? A--Yes, we have a special organization. They are expert men, the best we can employ.

Q--Men who have been experienced and trained in that class of work?

MR. GABY: Yes, 20 years some of them.

COMMISSIONER HARRIS: There is no objection to two, or three, or four or five municipalities getting together and

assuming the full responsibility for anything of that kind as long as they are alone responsible for the financing of it, but it is another question when you go to the Government.

SIR ADAM BECK: The Act is permissive and has been repealed.

COMMISSIONER HARRIS: I say that has been done.

SIR ADAM BECK: It was permissive always and did not require repealing. The Government was not obligated to guarantee any bonds of any municipality.

THE CHAIRMAN: I should ^{think} the fact that the Provincial Government has financed them would be a very good reason, some time, why they should go on with it; it might determine them to do it.

SIR ADAM BECK: I do not suppose the Government would have guaranteed the bonds if they had not had some representation or some authority. Of course, outside of the representation on the Commission there is this authority, you cannot construct a railway now of any kind, or couldn't under the Radial Railway Act, without an Order-in-Council from the Government. You couldn't prepare estimates, you couldn't enter into an agreement, so the Government had absolute control irrespective of their having any representative on the Commission.

THE CHAIRMAN: Take this railroad, Sir Adam: Before you entered on these betterments that you speak of, did you submit an estimate to the Government showing what they would amount to, and the extent to which the Government would have to guarantee the bonds issued for them? A--I presume we did.

MR. GABY: The reports that we made were submitted.

THE CHAIRMAN: Of course, the Provincial liability up there now is about \$3,000,000 in respect of that railway.

SIR ADAM BECK: Yes, that is the amount they have guaranteed.

THE CHAIRMAN: Yes, they are endorsers, as it were, of

the bonds to that extent.

SIR ADAM BECK: You don't think it is responsible when the municipalities are directly liable for the depositing of their bonds ?

THE CHAIRMAN: I don't think they will ever have to put up any money there. You are in a district where you have a growing business.

SIR ADAM BECK: Outside of our having enough revenue, sufficient to meet the operating costs, or all our obligations involved there, you have got the municipalities individually responsible, and you have got a guarantee there of their bonds.

THE CHAIRMAN: Oh, yes, but at the same time no Government can proceed against municipalities if they should get into default. They will always look to the Government to carry their load for them if they have a chance to do it. That is my experience, and although the Government's liability would seem to be pretty well protected, as it were --

SIR ADAM BECK: We are supposed to be in arrears in renewals, and they have no hesitation in threatening us, and so on. If we did not pay them what would happen.

THE CHAIRMAN: Of course, although the liability may be remote it, no doubt, affects the borrowing power of the Government. If I endorse the note of a man who is pretty well off, and keep on endorsing it, it impairs my standing at the bank at once.

SIR ADAM BECK: That is the first time I have ever heard that, by guaranteeing the bonds, or by pledging its credit, the Government is disadvantageously placed in financing its own affairs. I never heard that mentioned before by anyone.

THE CHAIRMAN: Don't you think that more liability means, in business, that the borrowing power, or ability to raise money is impaired ?

SIR ADAM BECK: Quite the contrary if we believe what the Finance Commissioner of the City of Toronto tell us,

that because of the fact of the investments which the City has in its utilities, and its successful operation of its utilities, he borrows cheaper than the Province of Ontario, and as equally advantageous as the Dominion of Canada can borrow.

THE CHAIRMAN: Yes, the City is making something out of these, but the Province has no chance whatever of making anything at all.

SIR ADAM BECK: Why, they regulate and control it all, they control the operation.

THE CHAIRMAN: The City can make a profit but the Province cannot.

Did you want to say something to us before we adjourn, Mr. Fairley ?

MR. FAIRLEY: You asked the other day in connection with what work had been done.

THE CHAIRMAN: We don't want to follow that up any further unless you do. I don't know if Mr. Jeffery has anything, he usually has something to say.

MR. JEFFERY: No.

THE CHAIRMAN: Is there anything else that you want to take up, Mr. Gaby ?

MR. GABY: No, Mr. Chairman.

(The Commission adjourned at 1.40 p.m. Friday,
19th January, 1923, sine die.)
